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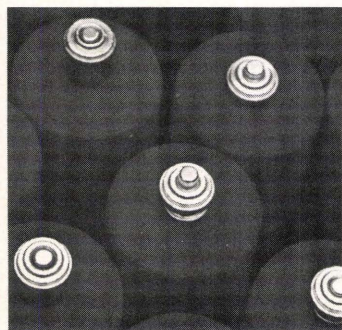
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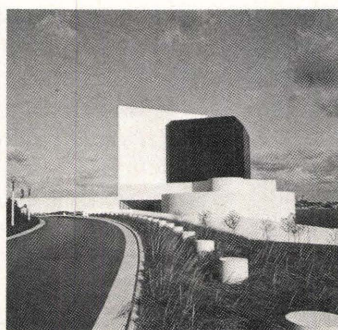
# EUROPE

MAGAZINE OF THE EUROPEAN COMMUNITY



## U.S.-E.C. RELATIONS

- 14 U.S. and E.C. Officials Meet for High-Level Talks**  
*Stephen Brookes*  
Annual meeting described as "relaxed and cordial."
- 16 At 40 Years, the G.A.T.T. Examines Its Future**  
*Arthur Dunkel*  
Tackling the challenge of the Uruguay Round.
- 18 The E.C.'s Textile Trade Policy**  
*Jean-Pierre Leng*  
At odds over proposed U.S. textile and apparel legislation.
- 21 President Reagan Welcomes "European Identity in Defense"**  
Excerpts from a speech at the Center for Strategic and International Studies.



## BUSINESS

- 22 Managing Industrial Waste the European Way**  
*Sandra Postel*  
Some E.C. Governments are pioneering new methods of environmental protection.

## DOSSIER

- 26 Europe's Regional Policy**  
Actions seeks to reduce regional disparities within the Community.



## EUROPEAN AFFAIRS

- 30 E.C. Finances**  
*Marc Pierini*  
Emergency Aid for Ethiopia  
An "air bridge" ferrying supplies began November 28.
- 32 Soviet Relations With Europe Are Changing**  
*Angela Stent*  
How much is new in Gorbachev's West European policy.
- 35 Effort Underway to Relaunch E.C. Studies in the U.S.**  
*Vera Erdmann-Keefer*  
Association formed by scholars to promote research.
- LIFESTYLE**
- 42 1988 Is European Cinema and Television Year**  
*Robert Jarrett*  
24 countries join forces to promote the industry.



## MEMBER STATE REPORT

- 38 The Netherlands**  
*Laura Raun*  
The Dutch face difficult times as efforts continue to reduce the budget deficit.
- 41 The Dutch Are Cutting Government Spending**  
An interview with Ruud Lubbers, the enormously popular Prime Minister.

## DEPARTMENTS

- 4 Around the Capitals**  
Letters from Europe.
- 44 News of the E.C.**  
Recent developments in European Community affairs.
- 53 Subscription**  
Publications of the E.C.  
1988 prices for various periodicals.
- 54 Books in Review**  
Reviews and capsule descriptions of recent books on E.C. and Atlantic topics.
- 56 The E.C.'s Bookshelf**  
Publications available from the E.C.'s Information Service.

**COVER:** Soviet leader Mikhail Gorbachev stopped in London to meet with Prime Minister Margaret Thatcher on the way to his summit with President Ronald Reagan. © Reuters/Bettmann Newsphotos.

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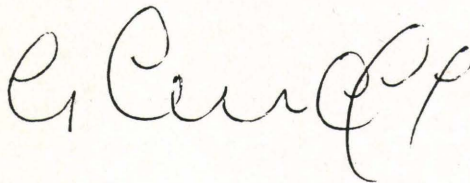
# PUBLISHER'S LETTER

**T**he high-level ministerial talks between the United States and the European Community that just ended in Brussels were, for the first time in years, conducted in a relaxed, constructive and optimistic atmosphere. Observers of trans-Atlantic relations had come to expect more heat than light out of the annual talks, which have tended to become bogged down in saber-rattling over trade disputes. More often than not, it seemed that we had both lost sight of the broader issues—the extraordinary size and importance of the U.S.-E.C. economic relationship, the political and social ties that bind us, and the future promise that a growing Europe presents for the United States.

This year, U.S. Trade Representative Clayton Yeutter was given to remark that “Relations between the United States and the E.C. have probably never been better, even if certain problems remain.” In fact, we have managed to resolve an impressive number of outstanding trade questions during the year, from corn exports to citrus fruits to pasta, and have come closer on political issues as well: for example, the decision to support U.S. policy in the Persian Gulf with European ships.

The Euro-American relationship may never be perfectly harmonious—each side is too large, too diverse and too distinct for that—but we may be learning how to handle our disputes better, and learning as well to keep the “big picture” in view. The handful of problems that remain, including Airbus and the meat hormones issue, are under careful discussion and we have no doubt that they will be resolved over the course of the year to come. It may be too soon to predict that next year’s U.S.-E.C. conference will be a success—but optimism is certainly called for. Both Europe and America seem to be heading firmly in the right direction.

As well as a look at the results of the the high-level talks, we also bring you in this issue Georgetown University’s Angela Stent on relations between Europe and the Soviet Union, GATT Director-General Arthur Dunkel on progress in the Uruguay Round and the future of the GATT, the E.C.’s special representative for trade negotiations, Jean-Pierre Leng, on the Community’s textile trade policy, and several other articles of current interest in U.S.-E.C. relations.





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*December, 1987*



# AROUND THE CAPITALS

## DUBLIN

### Extradition Laws

**I**n December, Ireland ratified the 1977 European Convention on the Suppression of Terrorism, which allows for the extradition of persons accused of hijacking aircraft, kidnapping, murder of diplomats, hostage taking and crimes involving explosives and automatic weapons. This step was taken against a background of the Irish Republican Army (IRA) bomb at a Remembrance Day ceremony at Enniskillen in Northern Ireland that killed 11 civilians. In addition to this terrorist act, there was the brutal kidnapping of a Dublin dentist by another terrorist group that hacked off two of his fingers, and the seizure of a ship off the French coast with 150 tons of arms and munitions destined for the IRA.

Yet the implementing of the extradition convention caused much soul-searching among the nationalist Fianna Fail party, which now forms the Irish Government and strongly opposed the measure. While there is no sympathy or support for the bombers or gun-runners, there are nagging doubts about sending Irish people to trial in Britain or Northern Ireland for suspected terrorist offenses.

New evidence uncovered by investigative television programs have raised serious doubts about the legality of convictions of Irish persons ac-



**Against the background of the bomb planted by the Irish Republican Army at Enniskillen in Northern Ireland, the Irish Government ratified the European Convention on the Suppression of Terrorism.**

cused of various bombing campaigns during the 1970s in British courts. Faulty forensic evidence, police brutality and anti-Irish hysteria following the outrages may have resulted in the wrong people going to jail. This is widely believed in Ireland as well as among certain lawyers, officials and parliamentarians in Britain.

Extradition has always been an emotive issue in Ireland where there is a long tradition of treating armed action by paramilitary groups like the IRA in their campaigns for a united Ireland as a "political offense" and, therefore, as non-extraditable. This was a view traditionally held by the Irish courts until a few years ago.

Judges ruled that the Irish Constitution upheld the ban on extradition for so-called political offenses because this was a principle of international law. This was true until the upsurge of aerial hijackings and hostage-takings in the 1970s led jurists in Europe to look more closely at the definition of a "political offense."

The 1977 European Convention broke new ground by

excluding hijacking and other violent crimes from the protection of "political offense," but the Irish Government refused to ratify it on constitutional grounds. This objection was gradually overcome as the Irish Supreme Court from 1983 onward began allowing the extradition of members of paramilitary groups wanted for violent crimes to Northern Ireland. The court ruled that such crimes were not compatible with "normal" political activities.

When the Anglo-Irish Agreement was signed two years ago, the Irish Government announced it would ratify the European Convention but linked such a step with progress in the administration of justice in Northern Ireland. The entry into force of the new extradition law was postponed for almost a year because of this last condition.

For most of that time, a battle went on behind the scenes between Dublin and London over the so-called Diplock court in Northern Ireland, which tries people for terrorist offenses before one judge without a jury. Dublin wanted three

judges, arguing that such a reform would give the nationalist community in the North more confidence in the judicial system and thus reduce support among nationalists for the IRA.

The British Government refused to introduce this reform, pointing out that nearly half of the persons brought before the court were acquitted and, besides, that there was always right of appeal to a three-judge higher court. However, Irish unease over the easier extradition procedures was growing as new evidence was produced in Britain throwing doubt on the convictions of over a dozen Irish citizens there for bombing offenses that resulted in a long jail sentence.

Up to the last weeks before the date of implementation of the new law, it looked as though Dublin was going to risk strong disapproval from the British Government and refuse to let the law take effect. But then came the arrest of the gunrunning ship and above all the shocking tragedy in Enniskillen for which the IRA admitted responsibility.

The Fianna Fail Government, which had strongly op-



posed the new law when in opposition, indicated it would let it go through but looked for special safeguards in the case of persons being extradited to Britain or Northern Ireland. This was necessary to appease grassroots opinion at the reversal of policy but in turn raised new problems with London that regarded the safeguards as an unflattering reflection on the British legal system.

Where extradition to other European countries is concerned, Ireland will apply the Convention without any reservations and will even extradite its own citizens. Many of the other countries have entered reservations on the key article excluding certain crimes from the "political offenses" category. Some countries, such as the Federal Republic of Germany, will not extradite their own citizens but may try them for offenses committed abroad.—JOE CARROLL

## BONN

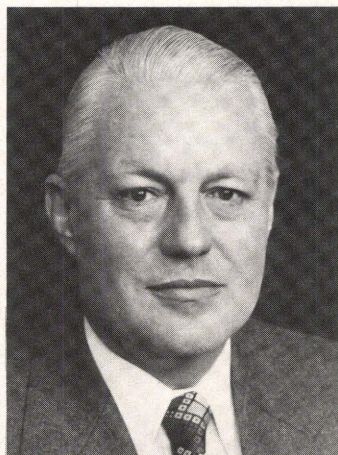
### New Budget, More Deficit

**A**s no other democratic event, a four-day budgetary debate has reflected the political mood of the Federal Republic of Germany, leaving no doubt that the climate has changed, with Chancellor Helmut Kohl's center-right coalition Government finding itself on the defensive. The 1988 federal budget approved by Parliament amounts to 275.1 billion German marks (currently about \$168.8 billion)—an increase of 2.4 percent over 1987. It has a larger deficit—29.5 billion marks as compared with 28 billion marks for 1987—which has swollen the total West German deficit to 496.5 billion marks.

The Reagan Administration and the other E.C. Governments are urging Bonn to boost its domestic growth by lowering interest rates, by accelerating tax cuts and by removing regulations on industry and consumers. These de-

mands were at first flatly rejected by Finance Minister Gerhard Stoltenberg, who believes Germans have done their share to help avert possible global recession. He pointed out that the Bundestag had already reduced the short-term interest rate three times within one month, from 3.8 percent to 2.5 percent, and that the originally planned \$6.3-billion tax cut for January 1988 had been increased to \$8.2 billion (about 14 billion German marks) in response to foreign pressure for more stimulus.

He is not prepared, however, to bring forward and expand the tax-reduction package that will come into effect in 1990, since this, in his view, could not be financed and would result in a fast growing budget deficit. For him and his party, the Christian Democrats, price stability has a high priority, in which even an inflation rate of 3 percent to 4 percent is "worrying." Moreover, advancing the 1990 tax



German Finance Minister Gerhard Stoltenberg and Economics Minister Martin Bangemann defend the 1988 federal budget.

cuts would require approval from the Parliament and the 11 federal states.

The memories of many Germans is deeply ingrained with the hyperinflation of 1923, when \$1 equaled 4.2 trillion Reichsmark. "For Germans, inflation is the work of the devil," says economist Dieter Mertens, "and is much worse than unemployment. Germans are insured in case of sickness, unemployment and disability, but there is no institutionalized insurance against inflation."

Germans do not think of inflation in terms of 5-percent or 10-percent price increases, but in terms of the drama of 1923, in which people were uprooted, impoverished and shaken in their confidence of the first democratic republic, thus becoming easy prey for the Nazi propaganda. According to Mertens, 77 percent of all Germans fear inflation and no German politician can dare consider it.

"We are not responsible for the developments in the United States that have led to a loss of confidence in the markets," says Stoltenberg. He and other German politicians are convinced that their policies have been right and expect a major signal from the United States. "What we need most are political decisions in the United States and strong efforts to cut the large U.S. budget and trade deficits," he adds. Treasury Secretary James Baker's remark was held responsible for the decline of the dollar last October after



PHOTOS COURTESY GERMAN INFORMATION CENTER

for stimulative steps. The recent forecasts by West German economists of a growth of only 1.5 percent instead of the expected 2.5 percent have begun to worry the German people. So far, they believed that in money matters the Christian Democrats were more reliable than the Social Democrats but this nimbus has begun to fade. "Growth of 1.5 percent is not enough," declared Economics Minister Martin Bangemann, who hopes to achieve at least 2 percent with the government's investment incentive program of 21 billion marks.

Municipalities and small and medium-sized companies can profit from subsidized lower-interest loans from the state-owned Bank of Reconstruction. Rejecting the Government's investment program, the president of the German Confederation of Industry, Tyll Necker, says that a similar program of \$6.3 billion marks implemented in 1981 remained ineffective. Only about half of the funds had been used then. To inflate the economy and to reduce unemployment figures, he demands noticeable tax cuts that unduly burden German companies. Karl Schiller, former Economics Minister for the Social Democrats, says that "this time the Americans are right. We should inflate our economy." His suggestion is a limited income-tax reduction of 10 percent under the Stability and Growth of Economy Law of 1987.—WANDA MENKE-GLÜCKERT

## ATHENS

### Traveling Patriarch

**A**lthough his official titles reflect a grandiose past, the most blessed ecumenical Patriarch Dimitrios of Constantinople, Archbishop of New Rome and spiritual leader of the world's 180 million Eastern Orthodox Christians, lives quietly in an old-fashioned district of Istanbul.

In recent months, however,



the 73-year-old Patriarch has made an international tour of his flock and also visited the Vatican in an effort to promote dialogue between the different churches and to speed up a 25-year-old plan for a pan-Orthodox synod.

It therefore looks as though the Patriarch is ready to adopt a higher profile as a religious leader—with the implicit approval of Turkish authorities. Turkey is an overwhelmingly Moslem country and the ecumenical Patriarch is officially regarded as the leader of a small religious minority, the Greeks of Istanbul, who still call that city Constantinople. A generation ago, the community numbered 200,000 people, but economic and political pressures in recent years have brought down the total to 4,000 mostly middle-aged and elderly Greeks.

To Eastern Christians, the Patriarch is *primus inter pares*, the first among equals, in the hierarchy and heir to a Byzantine tradition in which a medieval Patriarch could rival the emperor in influence-wielding. But under the Ottoman Sultans, who occupied much of the territories of what once was the Byzantine Empire, the ecumenical Patriarch held an unenviable position. Even today, the main door to the Patriarchate compound in the Fener district of Istanbul is still closed in the memory of Patriarch Grigoris who was hanged there in 1821 when Greece rebelled against Turkey at the start of its struggle for independence. And during the more recent Greek-Turkish crises, fears were voiced that the ecumenical Patriarch might be asked to leave Istanbul permanently, thereby surrendering his primacy to the Moscow-based Russian Orthodox Patriarch.

Now, however, things are clearly different. Last April, Turkish authorities finally granted permission for the rebuilding of a wing of the 19th-century patriarchate building that burned down in 1941. The permit came through one week before Turkey submitted its official application to join the Eu-

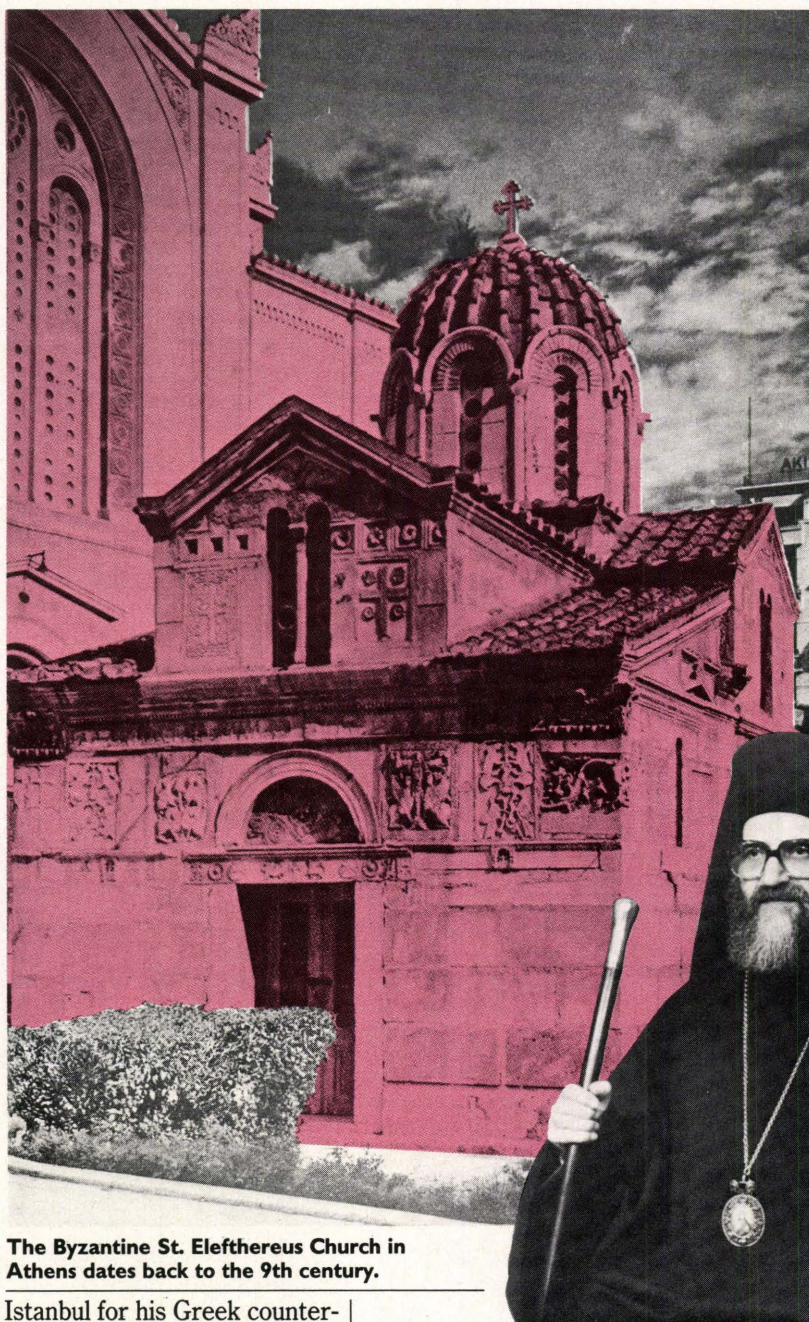
ropean Community in Brussels. (European diplomats in both Athens and Istanbul say that better relations with the Patriarchate could assist Turkey in its application to join the European Community.) And when Dimitrios made an official visit to Athens last November, he brought with him an invitation from the Mayor of

of-State treatment by the Greek Government. His stay in Athens, the first by an ecumenical Patriarch in 24 years, also set the seal on an official reconciliation between the Socialist Government and the Greek Orthodox Church after a nine-month dispute over a new law on church property.

The Church had rejected the

triarh arrived that calls for a church-state committee to administer monastic lands and to leave the remainder of the property under the Holy Synod's control.

The Patriarch also visited his flock in the Soviet Union and other Eastern Bloc countries, went to Israel, Egypt and England, and is expected to



The Byzantine St. Eleftherus Church in Athens dates back to the 9th century.

**Patriarch Dimitrios of Constantinople, spiritual leader of the world's 180 million Eastern Orthodox Christians, has just completed an international tour of his flock, including a trip to Greece, the only country in the world in which Greek Orthodoxy is the state religion.**

Istanbul for his Greek counterpart to make a visit.

Greece is the only country in the world where Eastern Orthodoxy is the state religion. The visit by Patriarch Dimitrios, Istanbul-born and a Turkish citizen, raised some delicate questions of protocol but those were amicably resolved and the Patriarch was given Head-

legislation as unconstitutional because it would automatically transfer thousands of acres of monastery land to state-run farm cooperatives and give laymen control of urban properties that provide much of the Greek Church's operating income. A compromise was worked out just before the Pa-

continue traveling. Next year, he may visit Moscow again, for celebrations of the Russian Church's 1,000th anniversary, and Greece, to attend the 900th anniversary of the Monastery on Patmos, where, according to tradition, St. John wrote the Book of Revelation.—KERIN HOPE



## COPENHAGEN

### Christiania Lives On

Supporters call it a valuable social experiment, an oasis of permissiveness in a conservative society, while opponents claim that it provokes all law-abiding citizens and entraps the young and gullible in its hotbed of crime. Whatever one may wish to call it, a majority in the Danish Parliament has decided to give Christiania, the so-called "Free City" within the city of Copenhagen, a new lease on life.

The Conservative-Liberal Government wanted to evict the 1,000 permanent inhabitants of the former army barracks and to put the acres of valuable land to more conventional use. According to a recent poll on the issue, slightly more than a third of all Danes sided with the Government, but almost as many agreed with the parliamentary majority that Christiania must live by legalizing its status and providing it with social services.

The "Free City" of Christiania, a 10-minute car ride from the City Hall of Copenhagen, was founded in 1971 by a small group of left-wing activists. They claimed the fence of previously vacated army barracks and started one of the most controversial and long-lasting illegal occupations of Northern Europe. The Governments of Norway, Sweden and Finland, who claim that Christiania is a focal point in the supply line of drugs to the rest of Scandinavia, have demanded time and time again that the Danish authorities take action against drug dealers and the cannabis trade.

The present inhabitants of Christiania say that they do not tolerate drug dealers, but cannabis is sold quite openly on the streets and in shops. Crime is also rampant, and gang fights have escalated to the level of murder. For most of its existence, Christiania's utility bills have not been paid and neither have the rents and taxes on

shops and restaurants. Thousands of Danes and many tourists visit Christiania every day to shop, eat or just as part of the Copenhagen itinerary. Copenhagen tourist officials quip that Soviet tourists are shown Christiania by Soviet officials as the other side of the capitalist coin.

Christiania is more than merely service industries. A number of small factories have been set up, in which the entrepreneurs prefer to be addressed by their first names rather than as managing directors. Exports include bicycles, ovens and glasswares, and their overseas markets include the United States. The glass factory has even established a subsidiary outside Christiania, and claims that the Danish Foreign Ministry is among its customers.

The best bet is that Christiania will live for as long as the hard core of inhabitants decide they want to live there now that this last vestige of the European youth rebellion of the 1960s will be at least semi-legalized. Whether this process will remove some of the attractiveness of staying there remains to be seen.—LEIF BECK FALLESEN

## ROME

### Antitrust Legislation

In three years, from 1983 to 1986, the stock ownership of over 1,500 Italian companies has changed. In over 700 cases, actual control of the companies changed hands; in just under 300 others, mergers were involved. In the remaining cases, large groups of shares were simply shuffled. The rush for acquisitions has caused the 19 largest Italian corporations to gain strength by acquiring an average of 17 companies per year. At the same time, however, these "giants" have only given up about eight companies a year.

As in other advanced Western economies, Italy, too, has been shaken by merger and

acquisition fever, with one important difference: Except for the publishing industry, there is no antitrust legislation that regulates takeovers by assuring viable competition, thereby making it difficult for large monopolies to form.

It is therefore understandable that uproar ensued when the Christian Democratic Prime Minister Giovanni Gorla inserted a clause in the working program of his Government asking for "the adoption of transparency rules and



Fiat's Giovanni Agnelli, above, and his CEO, Cesare Romiti, oppose the Italian Government's plans to introduce antitrust legislation.

norms for the limiting of concentrations." Newspapers and political observers are dedicating more attention to the problem than they did to the five popular referenda slated for November 8, which helped cause the downfall of Socialist Bettino Craxi's Government.

At Palazzo Chigi, the seat of the Italian Government, it is being noted that antitrust legislation is primarily in reaction to Italy's obligations toward the international community

and in particular the European Community. For the first time since the end of the war, the Italian economy is "seriously growing beyond its national boundaries, expanding its productive and financial activities in an extraordinary manner."

It should be noted that after 14 years of expectation and postponement, the E.C. intends to finally begin its debate on monopolies. Even if a few of the member states, in particular Great Britain, protest what they call "Community meddling," one cannot ignore the ultimatum given by E.C. Commissioner Peter Sutherland, who has threatened the literal application of the only two articles of the Treaty of Rome that address the problem in the event that the 12 member states do not implement E.C. antitrust rules. This could prove very risky for companies that deal in mergers and acquisitions, since the Commission could retroactively annul these agreements, causing great losses for the interested parties.

The catalyst of this debate was the news that the Fiat Group of Giovanni Agnelli had, by means of a complicated round of participations, gained 50 percent of the television station, Telemontecarlo. Fiat, which already owns Rizzoli—publisher of the daily newspaper *Corriere della Sera* and other important periodicals—and *La Stampa*, would thereby surpass the limits set by the editorial antitrust guidelines. But the company seems determined to defend its "right to growth." "We must be prepared for the opening of the European market in 1992," affirms Agnelli, adding that even though his group is the biggest in Italy, "it is barely one-fifth the size of any of the American colossae," and that "in order to hope to compete as an equal on the international level Fiat has to grow some more."

Agnelli has given the job of intensifying the attack to the chief executive officer of the group, Cesare Romiti. At a convention in Capri, he accused "certain political

PHOTOS COURTESY FIAT



groups" of suffering from "anti-capitalistic overflow." He added, "Do we want to talk about monopolies? Then let's remember that in Italy the state has always had the monopoly on televised news programs and that recently they have even subcontracted it to a few political parties."

This could have signalled the beginning of a fight between industrial power and political power, with the latter determined to maintain the expansion of the industrial groups under control. Instead, at least for the moment, it seems as though an armistice has been signed with concessions being made on both sides. Speaking for the Government, the Secretary of Industry, Adolfo Battaglia, has assured that the antitrust guidelines must "surpass the old concept" and by all means must not be "simply a system of measures applied to prevent concentrations." The measures are only meant to ensure that these concentrations "do not hamper competition." To this, Romiti has voiced his approval. "Antitrust legislation is fine," he admitted after having studied the government's declaration, "as long as the state does not slow the development of certain enterprises, in particular those that are strongest and most dynamic."

At any rate, the impression of most observers is that the battle has merely been postponed. There will be anti-monopoly legislation because, as Giovanni Goria and other political forces, including ex-Prime Minister Craxi's Socialists, rightly emphasize, Italy must be brought to the level of the rest of the E.C. and, more broadly, of the international economic and commercial community. But the more powerful entrepreneurs are joining forces to ensure that the normatives do not work in their disfavor.—NICCOLO D'AQUINO

With an increasing number of cases brought to the European Court of Justice, its judges are overworked and there are plans to establish a junior tribunal.

## LUXEMBOURG

### Overworked Judges

**T**he eminent judges who inhabit the European Court of Justice building in Luxembourg—a construction that an architect recently described as "a half finished giant creation of a child's matchstick kit"—are overworked.

The Court was set up in 1953 to rule on all applications of European Community law under the expectation that it would deal with about 150 disputes per year. But so far this year, it has had 350 legal quarrels to deal with and the number of cases is rising steadily. This is partly a consequence of the enlargement of the Community, but also, and perhaps more significantly, a reflection of the Court's growing public exposure and the increasing awareness by E.C. citizens of the role that the Court can play in redressing their grievances against the E.C. institutions, governments and even against each other.

Like the U.S. Supreme Court, the European Court of Justice is the final arbiter. One cannot appeal against its judgments, and its verdicts overrule all those of national courts. It is, in a very real sense, both the conscience and supreme legal authority of the Community. However, if 350 million citizens, not to mention companies, governments and countless power groups, see the court as their potential ally, the

demands on it are bound to be colossal. Five years ago, a typical case was processed and determined in three months. Today it can take many years.

To correct this, the Court has suggested establishing a "junior tribunal." This Court of First Instance would deal with staff matters, competition, anti-dumping and steel quotas. The new court would have different procedures from the senior tribunal, notably the elimination of an early advocate-general's opinion on cases. Officials believe this could cut the time involved in the total process by roughly half.

Legal officials from the 12 member Governments have approved the move, but not without some misgivings. There is some concern that the junior court's verdicts could be seen as "second class" and that unsuccessful plaintiffs could reopen their case before the supreme justices. But all 12 Governments recognize that the current workload on the Court is approaching intolerable levels, and it is not expected that any country will oppose the plan when it comes up for formal approval early next year.

The initiative comes at a time when the Court has made bigger headlines than ever before in its history. In Britain, its verdict that men and women should have the same retirement age has brought about sweeping changes in the social security system. In the Federal Republic of Germany, the Court has caused widespread consternation by outlawing the centuries-old *Reinheitsgebot*, a

regulation that prohibits the sale of beer containing any kind of additives in Germany.

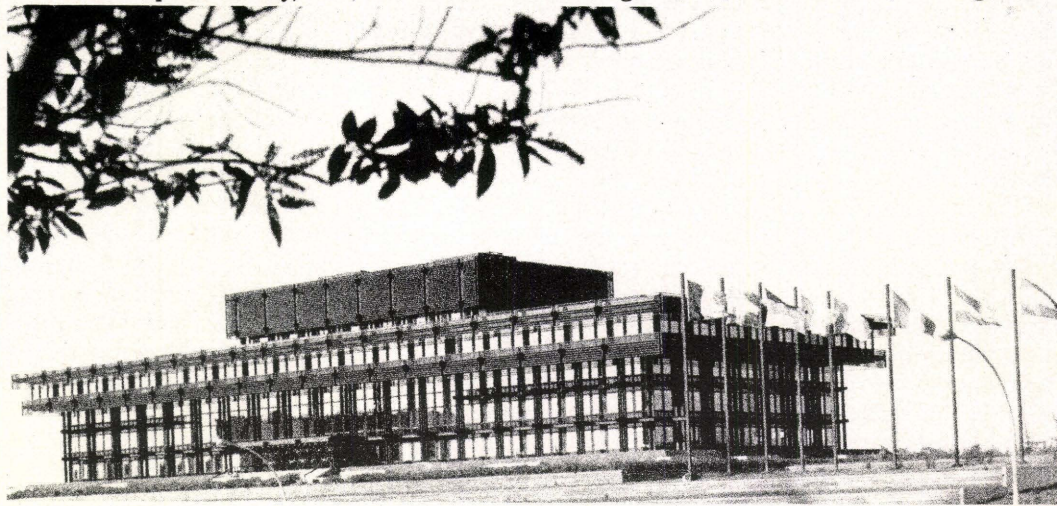
Behind these well-publicized rulings has come a stream of technical judgments in such matters as industrial specifications, public financing and air fares that many officials believe will ultimately influence the shape of the E.C. as much as any decisions taken by E.C. Ministers. "What glues the Community together is law," a court official said. "If all Treaty [of Rome] laws were obeyed to the letter, then we should have a perfectly functioning, harmonious Community." Although that is not yet the case, we shall be well on the way toward the realization of such an E.C. if the Court's reforms are agreed upon and established.—ALAN OSBORN

## LISBON

### New Soviet Relations

**P**ortugal and the Soviet Union recently took an important step toward a full normalization of their bilateral relations. More than 10 years after Portugal's troubled revolutionary period of 1974-76, which seriously damaged relations between the two countries, President Mario Soares' visit to Moscow last November was seen as the first sign in a new phase of Portugal's political, economic and cultural relations with the Soviet Union.

Among the Western European countries, Portugal has



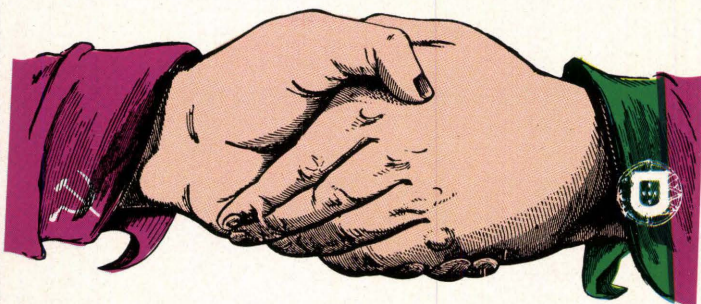


until now kept the lowest profile in its trade relations with the Soviets. This was due mainly to the political distance and the mistrust that was generated following the strong influence of the Soviet Union in 1974-75 during the Portuguese revolution and, above all, in the decolonization of the former Portuguese colonies, particularly Angola.

Although the Portuguese authorities have not forgotten these facts, they do think the time has come for change: "The Portuguese democracy is consolidated. Portugal is now a full member of the European Community, it remains an active member of the North Atlantic Treaty Organization and

Apart from the statement of basic principles, different approaches on both sides came to light in two main topics: human rights and Africa. Soares left the Soviets in no doubt about the former when he had breakfast with Andrei Sakharov and his wife at the Portuguese Embassy in Moscow. Where the latter was concerned, Soares emphasized, after his meeting with Gorbachev, that the two parties had divergent views about events in southern Africa, and especially in Angola, where the Soviet Union and Cuba are deeply involved militarily.

However, despite the predictable differences in opinion, the visit was marked by a posi-



the revolutionary period is definitely over," President Soares noted. "There is no reason why things should not go on as though nothing had changed."

In his talks with President Andrey Gromyko and General Secretary Mikhail Gorbachev, Soares made clear the basic principles of Portugal's foreign policy as a member of the Western alliance, but stressed that a working relationship between the two countries with their different social systems and views of world realities was entirely possible "on the basis of mutual respect, reciprocity and non-interference in domestic affairs."

"This is the right time to study how we can deepen and enlarge our cooperation, with a new attitude, dialogue and the right institutional ways, so that we can avoid misunderstanding," Soares said in a public speech in Moscow, which was seen as a polite refusal of the use of parallel diplomatic instruments, such as the Portuguese Communist Party, in state-to-state relations.

tive attitude and relaxed atmosphere. The Portuguese delegation included an important group of businessmen, the majority of whom were already familiar with the complex world of trading with the Soviet Union. Their aim was to improve significantly the annual \$8 million in Portuguese exports to the Soviet Union, an amount that, at this time, represents less than 0.5 percent of all Portuguese sales abroad.

The possibility of using oil and gas as "compensation" products has been discussed during talks in Moscow between the Ministers for Trade of both countries, although no decision has been taken so far and much more work will be needed to reach concrete results. In the meantime, businessmen are making their mark. Joint-venture projects and new prospects for exports and technology transfers were proposed by many who joined Soares on his trip. The most spectacular deal, possibly, was that a big supermarket chain was turned into a Portuguese

department store in Moscow, where people will be allowed to buy in rubles. According to a spokesman of the group involved in the deal, this project alone might double the present

value of Portuguese exports to the Soviet Union.

Again, however, full success will depend on the existence of sound prospects for bilateral cooperation in trade. This will

## NEW NATIONAL WEEKLY RADIO PROGRAM WILL FEATURE E.C. NEWS

Beginning the first week in February, EUROPE TODAY, a 15-minute weekly radio program, will feature a wide range of topics—social, political, cultural—from the 12 E.C. countries. Press, radio and television correspondents in each of the E.C. countries will contribute program reports from their overseas posts. The E.C. Commission's Delegation in Washington, D.C., is sponsoring the new satellite-transmitted national radio program.

EUROPE TODAY will be available to all U.S. radio stations without cost. The series will be available by satellite transmission systems that serve the National Public Radio network of stations and the MULTICOMM satellite system, which serves stations affiliated with the Mutual Broadcasting System.

Transmission of EUROPE TODAY will be on Thursdays for immediate or weekend use. Stations not equipped for receiving the program via satellite will be able to use cassette audio tapes sent by mail.

The pilot edition of EUROPE TODAY, now available for preview, features background reports of the recent visit of U.S. Secretary of State George P. Shultz to the E.C. Commission and to NATO headquarters in Brussels; an interview in London with John Reeve, the chief engineer of the channel tunnel between France and England; and a special report by Patrick Quinn from Athens on a joint demonstration for peace by a Greek sculptor, a former famous movie star (Greek Culture Minister Melina Mercouri) and the U.S. and Soviet Ambassadors in the Greek capital.

Host for EUROPE TODAY will be Michael J. Marlow, formerly of CBS News' *Face The Nation* program. Marlow is also a former deputy director of press and public information at the United Nations in New York. EUROPE TODAY co-host for the program will be Diane Rehm, popular radio personality on WAMU-FM of The American University in Washington, D.C.

Also scheduled to have prominent reporting and feature positions on the program are Diane Johnson, for a number of years a regular program host for the *Voice of America*, broadcasting on the English-to-Africa service, and Megan Carroll, a news anchor for Media General's cable system in Virginia. Senior editor for EUROPE TODAY is Winthrop P. Carty, for many years a contributing correspondent to *Time Magazine* in Latin America and more recently the U.S. editor of *Vision* and *Americas*, the Organization of American States magazine.

EUROPE TODAY will be produced in the studios of WAMU-FM in Washington, D.C., by the non-profit corporation America's World Forum, Inc. Further details about the program may be obtained by writing to: EUROPE TODAY at 10407 Riverwood Drive, Potomac, MD 20854; Tel.: (301) 299-6884, or from the Office of Press and Public Affairs, E.C. Commission Delegation, 2100 M Street NW, Washington D.C. 20037.



certainly be the key subject for the Portuguese-Soviet economic committee that for the first time since 1976, will soon meet in Lisbon. Which in itself is a sure sign that things are moving.—JOSÉ AMARAL

## MADRID

### Outlook for Socialists

**I**n December, Spain's Socialist Party celebrated five years in power, with an impressive row of achievements to its credit. Nevertheless, discontent and unease exist within party ranks, which is one reason why the 31st party conference in January is seen by many as decisive for the shaping of the future of Spain's

more than 100-year-old Socialist Party.

The elements of soul-searching and drama that have accompanied the Government's five years in power are common to the recent experience of several European Social Democratic parties that have held office. The Spanish Socialists' experience, however, is proving especially acute and to a great extent is extremely different.

The Socialist Party's greatest success lies in showing that in spite of being condemned to 40 years of inactivity by Franco's authoritarian regime, it could re-emerge and provide the country, smoothly and capably, with a working administration. Gone are the threats from the extreme left or right, Spain's modernization goes

forward under the impetus of E.C. membership and an increasingly apparent resemblance to the rest of Western Europe, coupled with a relatively stable economy under the Socialist administration.

Discontent among important sections of the Party has arisen over other aspects. When Felipe González formed his first Government in December 1982, he pledged to govern "in the interest of the whole nation." But, according to Nicolas Redondo, the 60-year-old Socialist trade union leader who resigned his seat as a Socialist Member of Parliament after a major row with González, he has not kept that promise.

Redondo, who could easily have become the Socialist Party's secretary-general in 1974

before the choice finally fell on the younger and more malleable González, insists the party's first purpose must be to advance the interests of the working classes. Against the background of Spain's unemployment figures, which have reached 3 million, of which only one third receive state unemployment benefits, the trade union leader underlined the party's duty to tackle the social injustices that have been corrected elsewhere in Western Europe but were aggravated in Spain during the Franco years. He accused the government of having pursued economic policies in the past five years that only widened the inequalities in the distribution of income and wealth.

Those who sympathize with Redondo charge the Govern-

## BRUSSELS

### Treasures For Sale

**B**elgium's great art treasures are slipping away from the country at an unprecedented rate, if some commentators are to be believed. One might not think that René Magritte's bowler hat should rank among them, but it has an honorable place in modern painting, featuring in many of the surrealist's best-known works, and its sale in London earlier this year was the cue for many pundits to dilate on the loss not just of many of Magritte's canvasses and effects, but on the way in which Belgian works of art generally are being snapped up by foreign buyers at an increasing rate.

Not long after the Magritte sale, the world-renowned choreographer Maurice Béjart announced he was moving his avant-garde 20th-Century Ballet from Brussels to Lausanne in Switzerland. Although a Frenchman, Béjart had worked in Belgium for decades, making Brussels a leading world center for modern dance. But he had never been happy with the financial arrangements for his company and a new move to

cut its funding had proved the last straw. Even a plea from the Minister of Culture for a change of heart was fruitless.

The most recent blow, however, and in some ways the worst shock of all, has been the news that James Ensor's painting, "The Entry of Christ into Brussels," has been sold to the Getty Museum in California for a reported \$12 million. This

painting to stay in Belgium and stipulated that any foreign bid for it should have to be at least a third more than the price paid by his own countrymen. But the sheer weight of American money ultimately proved the winner. Belgian art lovers appealed to their Government, big business, private collectors and the public for funds, but the pleas were spurned and



James Ensor's painting, "The Entry of Christ Into Brussels," is the latest in a number of Belgian artworks to have been sold abroad.

remarkable picture, with its grotesquely masked, prancing figures, is probably the finest distillation of Ensor's demonic talent and can be said to have proclaimed the new school of Belgian surrealism of which Magritte was the most well-known 20th-century practitioner.

Ensor himself wished the

Belgian galleries are the poorer as a result.

They could become even more so if reports that a Japanese bank is seeking the purchase of a Breughel painting prove correct. "Are we now so impoverished that we must put "For Sale" notices on every masterpiece that has been cherished and preserved and

loved by our people for centuries?" lamented a columnist in a leading newspaper. But this particular fear could be unfounded. A national law restricts the export of works of art more than 100 years old. Unhappily, Ensor's "Entry," failed to qualify by one year.

If Belgium could get back some of its treasures that have been dubiously acquired by other countries in the past, there might be less anguish. But the authorities seem no more successful at this than they are at keeping the ones they already have. A plea for the return of two priceless stained-glass windows taken from the Chapel of the Holy Blood in Bruges 200 years ago, and now in the Victoria and Albert Museum in London, has been turned down by the British Government in spite of a campaign in Britain to give back the precious glass as a gesture to the Belgians for their heroism in the Zeebrugge tragedy in March. Britain told Belgium that "regrettably" it could not help as the relics were covered by the National Heritage Act. It is a response that many art lovers in Belgium wish could have been made on several occasions this year.—ALAN OSBORN



ment with too much pragmatism in office and put the blame on middle-class "careerists" in high government posts. Indeed, the Government's failure to reform the heavy-handed, corporate civil service, the increasingly obvious control of the state television monopoly and schemes to do the same with future commercial television, contribute to an unease that now goes beyond critical voices in the Socialist Party itself. Spain's intellectuals, for example, who overwhelmingly welcomed their advent to power five years ago with the promise of *cambio* (change), are questioning how far the González era, viewed by many of them as vital for inculcating Democratic ways among the Spanish people, and not merely for providing able administrators of a political superstructure, is really taking things.

The two tendencies within the Socialist Party in office are ultimately arguing about future votes. After the setback for the Socialists in last June's elections, the Prime Minister and his team of advisors put much emphasis on the 3 million, largely middle-class non-Socialist votes González once confessed had been "lent" him in the historic 10-million vote victory in the 1982 general elections.

Redondo, on the other hand, looks ideologically rigid when he insists Spain's Socialists are forgetting their working-class origins and loyalty to their voters. The González camp retorts to this argument are that Redondo's policies risk bringing down the Socialist Government just as the all powerful trade unions brought down Labor Governments in Britain.

The differences between the two countries are considerable in this respect, however. For one thing, an alternative to González among Spain's center-right forces does not yet exist, and for another, Spanish trade unions do not wield the numbers or destructive force that such movements once did in Britain.—RICHARD WIGG

## PARIS

### Financial Fascination

**F**rance has a new fascination with the world of finance—and it did not take a stock market crisis to prove it. Just a few years ago, there was still a national psyche that shunned discussion of business, shuddered at what was considered the indiscreet topic of making money.

But much has changed in very little time. The rules for trading on the Paris *bourse* have been loosened, making the French stock exchange both more important and more accessible. The privatization of state-owned companies in the past year has drawn unexpectedly high participation from small investors trying their hand for the first time at playing the market. But perhaps the most telling indication of the revolution of French financial thinking is the boom of the financial press.

In kiosks across Paris the seductive smiles and bare bottoms that used to dominate the racks are being bumped aside by magazine covers featuring clean-cut young businessmen touting management advice, investment counseling or new uses for computers. Hard core is suddenly losing ground to hardware and software, the *bourse* and business coups: In the last three years, more than 20 new business publications have been launched in France.

Each publication has carved a niche in the wide-open market for business readership. At one end of the spectrum is a plethora of small, subscription-only financial newsletters offering insider advice on investment. At the other are the few broad-circulation business and economics magazines that have existed for years but are adjusting their format to respond to a vastly expanding market.

The daily *Les Echos*, for example, is 79 years old and has a stable readership for its serious, tabloid-format newspaper.

It launched a glossy magazine, *Dynasteurs*, that was initially distributed to subscribers and now is sold separately, with the result that this magazine now has higher circulation than the parent newspaper. The thick glossy biweekly, *L'Expansion*, is by far the leader of the market with comprehensive, sprightly reporting that stays up to date with the interests of the European business reader.

There are new, colorful magazines pitched to each slice of the new market—from the "noble," established wealth that wants to read about investing in the likes of silver *tastevin* wine-tasting cups, to the "yuppies" of France who represent the young business

leaders trying new management styles and are riveted by business success stories in the United States or the rest of Europe.

Those involved in the publishing business are overwhelmed by the new appetite for financial magazines, and give several explanations for the boom. The financial crisis of the past few years has prompted people to seek new ways to manage their own money better and to more accurately predict the trends ahead. Since there have never been financial gurus in France for debate on the economy by government bodies, people try to teach themselves about the factors at play. Other analysts

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detect a new entrepreneurial spirit that has developed partly from international competition and partly from the success of French financial wheeler-dealers like the flamboyant Bernard Tapie.

The boom also has developed from a saturation of the advertising market. New television stations are creating a drain on general-product advertising, so magazine publishers have reacted by trying to develop specialized markets. The business reader is the most obvious target, since he is often high-income and loyal.

The result is not only a stack of new financial reading on the stands, but also new supplements to existing general circulation publications. Veterans from *Le Monde* to the weekly news magazines are now including separate how-to information magazines on investment and the economy. It is all a long way from the time when it was considered distasteful to make money rather than acquire it and even more unsavory to discuss it.—BRIGID JANSSEN

## LONDON

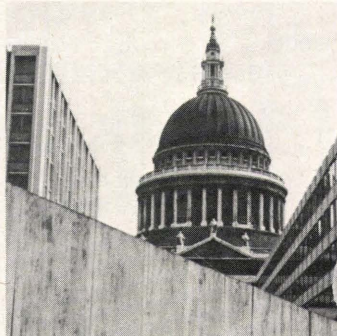
### Royal Attack On Buildings

**T**he future King of England is not well pleased with what is happening to his capital city. In an outburst that won him much applause, Prince Charles denounced the post-war redevelopment of London and other cities as "the rape of Britain."

The heir to the throne punched home his message of protest against the "jostling scrum" of drab office blocks that hide the few historical buildings that survive, by saying that the German Luftwaffe did less long-term harm to the city in World War II than modern city planners and architects. "You have to give this much to the Luftwaffe," Prince Charles told the annual Dinner of London's Planning Committee, "when it knocked down our buildings, it didn't replace

them with anything more offensive than rubble." That the future King of England should refer in this way to the World War II blitz on London by the German Air Force offended many, but it did achieve its desired effect by shocking people into opening their eyes to what was happening to their cities, and especially to London.

Utilitarian, transnational city centers with their building-block appearance are all too common, be it in London, New York, Hong Kong or Sydney. They are aesthetically pleasing only when viewed from afar, preferably from the Staten Island



In criticizing Britain's city planning, Prince Charles cited the development around St. Paul's Cathedral (inset) in London.

Ferry, or the Star Ferry carrying you from Kowloon to Hong Kong Island. At ground level, for the pedestrian or driver, these city centers have little architectural appeal. The beauty of their form, their clear lines, the contrast of dark glass with azure sky is all a distant fantasy. Reality dwarfs the human in canyon-like streets where the sky is a distant object held at bay by huge, angled pillars more intimidating than the interior of a gothic cathedral.

Prince Charles called for height restrictions on new buildings erected within 500 yards of buildings of historical or architectural value. In particular, he expressed the need

to prevent any repetition of the development around the famous St. Paul's Cathedral in the City of London. The buildings that now obscure a clear view of St. Paul's are, he said, "so mediocre that the only way you ever remember them is by the frustration they induce—like a basketball team standing shoulder to shoulder between you and the Mona Lisa."

But not only dreary and mediocre office blocks have come in for criticism. There has been

an equal amount of heat and anger generated by the new building



COURTESY BRITISH EMBASSY

of Lloyds, the insurance underwriters. The stainless steel and concrete structure has been likened to an oil rig and a coffee percolator because of the way all the innards of the structure, such as pipes and fire escapes, are exposed on the outside of the building. "Unmissable, unmistakable and unlovely," was perhaps the kindest comment made by those who disliked it.

The fact that this building, which pleased so few and angered so many, should have been awarded two major architectural prizes for 1987 helps to underline why Prince Charles' criticism won so much support among the general public. Over half of the staff at the new Lloyd's building find it

unsatisfactory as a working environment and, as a recent poll found, more than a third want to return to the old building across the road, despite the fact that one of the awards was given because it is "visually arresting... and provides a good working environment."

Staunch defenders of architectural and commercial licence accused the Prince of being naive and having allowed himself to become the captive of conservationists and cranks who fostered in him a "nostalgic dream of a quaint ruritanian city feasible if only ignorance, silly laws and wicked men did not stand in its way." Despite this, "the passionate well-timed words," as the *Financial Times* described the speech, have generated a debate that the vast majority of city dwellers hope will produce more imaginative and human-related building in the future.—DAVID LENNON €

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# U.S. AND E.C. OFFICIALS MEET FOR HIGH-LEVEL TALKS

ANNUAL MEETING DESCRIBED AS "RELAXED AND CORDIAL."

STEPHEN BROOKES

In a meeting notable for its absence of rancor, high-level U.S. and E.C. officials met in Brussels on December 11 and 12 for their annual talks on trade, East-West relations and other key topics. "Relations between the United States and the E.C. have probably never been better, even if certain problems remain," noted U.S. Trade Representative Clayton Yeutter, underscoring the improvement from the tense and sometimes confrontational tone of previous talks.

Attending this year's discussions were E.C. Commission President Jacques Delors, Commissioner Willy De Clercq, who is responsible for the Community's external trade, Commissioner Frans Andriessen, who is responsible for agriculture, and Commissioner Karl-Heinz Narjes, who is responsible for industry. In addition to Yeutter, the United States was represented by Secretary of State George Shultz, Secretary of Commerce William Verity and Agriculture Secretary Richard Lyng. The meeting gave the Europeans their first chance to meet and talk with Verity, who was appointed to his post in September.

While the talks were dominated by concerns over the American trade deficit and the weakening dollar, there was a broad sense that 1987 had been a fruitful year in which a number of potential conflicts had been defused. Disputes between the United States and the Community over trade in corn and sorghum, citrus fruits, pasta and meat were either resolved or postponed over the course of the year. Agreement was reached this year on structuring the Uruguay Round of multilateral trade negotiations, and "good progress" has been reported so far.

Figures released the day before the talks indicating that the American trade deficit was deepening provoked a certain amount of concern on the part of the

Europeans. Asked about how the figures would likely affect the atmosphere in Washington, Yeutter expressed concern that they would do little to alleviate the protectionist sentiment in Congress. Shultz said the trade deficit would diminish eventually; in fact, he said, U.S. exports have grown by 200 percent in the past two years, but the American market has been so dynamic that it has attracted an enormous number of imports. Other economies—notably that of Japan—should take up the slack and develop more like the United States, he said. The worst way to rectify the deficit, Shultz warned, would be protectionism.

The United States and the E.C. between them account for about 30 percent of world trade and each is a major market for the other, with trade between them

## U.S.-E.C. RELATIONS MAY NEVER HAVE BEEN BETTER.

worth \$130 billion in 1986. The E.C. accounted for \$53 billion worth of U.S. exports in 1986 (compared with \$45 billion to Canada and \$27 billion to Japan). Some disputes have cropped up, however, particularly over American exports of hormone-treated beef to Europe and government subsidies to Airbus, the four-nation European aircraft consortium. Moreover, the United States has released a list of trade practices by the European Community which it claims are unfair. De Clercq took the opportunity to respond in kind at the meeting, presenting Yeutter with the Commission's most recent list of American barriers to trade. He noted, however, that he was not entirely convinced of the usefulness of the exercise.

The E.C. recently decided to delay applying its new ban on the use of hormones in beef and sheep to imports for

one year, to allow for an adjustment process. The United States is concerned that the ban is unjustified on scientific grounds and will seriously damage its exports of meat to the Community. It therefore has drawn up a list of goods it will retaliate on—worth some \$100 million—if the E.C. ban goes into effect in 1989 as planned. The Community believes, however, that the hormones should not be used for anything other than therapy (for which they were originally conceived), and says that the ban is not discriminatory since it applies to all producers in the E.C. as well as third country suppliers. Expert talks on the matter will continue in January.

A second key area of discussion was the question of government subsidies to Airbus. Americans and Europeans alike recognized that progress had been made in the talks in London on October 28, which set up a framework for negotiations regulating government subsidies, but said that there should be no illusions about the difficulty of the negotiations yet to come. The areas of disagreement were clearly defined: the status of government participation in capitalization of the industries, the problem of determining whether government support in the future would be granted according to strictly commercial conditions, the necessity for taking monetary fluctuations into account and the degree of transparency and the exact coverage of future disciplines. New talks are scheduled to start in January; officials on both sides said they hoped for a resolution of the issue when trade officials meet in February.

There was more discussion of political issues this year than last, focusing for the most part on East-West relations. Shultz gave his perspectives on the Reagan-Gorbachev summit and the accord signed in Washington between the United States and the Soviet Union, presenting the INF treaty as the result of a determined and cohesive NATO position. Verity noted the contacts that had been established between Gorbachev and American businessmen, and indicated that the Joint Council in the spring would look at the possibilities of expanding trade.

On the Community side, De Clercq reviewed the recent history of relations between the E.C. and the Council for Mutual Economic Assistance (Comecon), and the change in Comecon's attitude toward the Community. Saying that he expected relations to become normalized, De Clercq explained the two-pronged approach taken by the Community: on the one hand, development of relations be-



tween the E.C. and each of the individual Comecon countries; and on the other, negotiations with the Comecon bloc as a whole. Particular attention was paid to concluding an agreement with Hungary, now under negotiation, and to the general need to build more bridges with Eastern Europe.

World trade in agricultural products—one of the key problems facing both the United States and Europe, as well as many other countries—also dominated the discussions. Both the United States and the E.C. have drawn up plans for joint and coordinated action to reduce surpluses and restore balance to world farm trade, but the E.C. has criticized the American plan as unrealistic in its call for a complete halt to government farm subsidies by the end of the century. The Community pointed out that it had made a great deal of progress in its farm sector since 1985, and noted that much had been done to cut back farm subsidies. Delors stressed the need to maintain European small farming, which, he said, contributed very little to the gluts on world markets. By way of example, he noted that such farmers produce only about 10 percent of the world's supply of grains.

Andriessen reiterated that European farm policies must become more market-

oriented, and that bringing production under control had to be done according to precise budgetary limits. Moves to bring agriculture under control should be done in a global context, said Andriessen, in particular in the context of the Uruguay Round. Lyng noted his disappointment that the E.C. could not share the American goal of eliminating all support to agriculture by the end of the century.

On the management of the international economy, Shultz noted that national borders must become less important in economic matters as technological change speeds up; he pointed to a need to push for mutual openness geographically and on a wide range of sectors beyond classical trade. Delors noted that recent events have demonstrated that a world market in capital exists which functions around the clock. The most well-off countries, he said, should come to an agreement within the framework of the Organization for Economic Cooperation and Development (OECD) on a minimum of rules to avoid speculation. In the face of the growing interdependence of the developed economies, Delors said, there is a need for some rethinking of the roles of the international organizations, the working methods of the Group of 7 and ways to associate it with the newly industrialized countries.

One key element in the preservation of world economic growth is the Uruguay Round of multilateral trade talks, launched in September 1986 under the auspices of the General Agreement on Tariffs and Trade (GATT), the world trade body. Yeutter suggested that it would be useful to have a "midterm review", and De Clercq responded that the Community was amenable to the idea as long as it focused on determining where real progress had been made, and not just on questions of procedure. Yeutter made an appeal for substantial progress in the talks this year, noting that the world expected bold leadership from both the United States and Europe. He noted that 1989 would be a transitional year for the United States with a new President and a new Congress, and that it was therefore essential to have tangible and concrete results in the Uruguay Round during 1988.

In other areas, the two sides agreed on the importance of bilateral cooperation in telecommunications (where a working group has been established), high technology and environment. Joint action is particularly appropriate, the participants noted, in controlling atmospheric pollution. €

Stephen Brookes is associate editor of *Europe*.



U.S. Secretary of State George Shultz and E.C. Commission President Jacques Delors at the Brussels talks.



# AT 40 YEARS, THE G.A.T.T. EXAMINES ITS FUTURE

## TACKLING THE CHALLENGE OF THE URUGUAY ROUND.



Arthur Dunkel is director-general of the GATT.

### ARTHUR DUNKEL

In looking at 40 years of the General Agreement on Tariffs and Trade (GATT), it is as well to recognize from the start that the rules and the institution we now know as the GATT were, in a sense, a second best. The intention of the original architects was to create an organization of much wider scope fully integrated within the United Nations system.

Attempts at multilateral trade cooperation go back to the unsuccessful inter-war conference sponsored by the League of Nations. Midway through World War II, American and British experts met in Washington, D.C., to flesh out the idea of creating an International Trade Organization (ITO) under the auspices of the United Nations. It was envisaged as the third leg in a triad of post-World War II economic organizations along with the International Monetary Fund and the International Bank for Reconstruction and Development.

After the war, the discussion of the ITO became a multilateral one. The newly-created Economic and Social Council of the United Nations in 1946 approved a U.S. initiative calling for a conference to consider the creation of the ITO. It appointed a Preparatory Committee—members of which were to become the GATT founding fathers—to draft the ITO Charter.

When the Committee met in London for the first time late in the year, the United States along with other countries considered the idea of holding tariff-cutting negotiations among themselves in advance of the ITO. To govern these negotiations, they drew from the commercial provisions of the draft ITO Charter. This governing instrument—the draft of which was finalized in Lake Placid, New York in February 1947—was to become the General Agreement.

In the Spring of 1947, the Committee reassembled in Geneva to complete the ITO Charter draft. Independent of this

official task under the U.N. mandate, the members, in seven months, completed some 123 negotiations on tariff reductions. The resulting 20 schedules containing the tariff reductions and bindings became an integral part of the GATT. They covered some 45,000 tariff concessions and about \$10 billion in trade. The U.S. negotiators made full use of their 50-percent tariff reduction authority. The United States made concessions on import items worth \$1.77 billion and in turn received concessions on their exports valued at \$1.19 billion. The first GATT Round brought American tariffs to their lowest level since the comparatively moderate Underwood Tariff Act of 1913.

GATT was a "trial marriage" of sorts when the 23 founding contracting parties—12 developed and 11 developing countries signed it on October 30, 1947. Members had the right to withdraw upon just six months notice. The GATT came into force on January 1, 1948, through the Protocol of Provisional Application that contained two limitations. The governments agreed to accept GATT obligations "provisionally," and, aside from the tariff concessions and the most-favored-nation guarantee, they agreed to follow GATT rules only "to the fullest extent not inconsistent with existing legislation." GATT, in effect, was recognized as an interim measure whose application had to be reviewed in the light of what happened to the ITO.

In November 1947, delegations from 56 countries met in Havana, Cuba, to consider the ITO draft. The involvement of more countries, however, brought in new and often conflicting trade interests. The extent of disagreement can be gauged by the length of the meeting (the conference ended in March of the following year), and the number of amendments (602). Controversy ensued in the process of ratification, particularly in the United States. The business coalition that supported the Bretton Woods institutions attacked the Charter's many "exceptions" that allowed the continued existence of restrictive trade measures in other countries. In 1950, the United States officially announced that the ITO Charter would not be resubmitted for ratification in the U.S. Congress. With the biggest trade market out of the picture, the ITO was doomed.

By any measure, this was an inauspicious start for the GATT. Its limited membership and "provisional" status appeared to give it every possible disadvantage in its early life. The fact that it survived into healthy middle age indicated one very obvious fact—govern-



ments need a multilateral system within which to develop and operate trade policies. As trade has become more important, so a coherent multilateral trade system has become crucial.

Of course, the GATT had a number of special advantages in its favor. For a start, it was conceived as a contract between its member states, binding them together through a sensitive balance of rights and obligations that can be found in no other organization. Second, while it is founded upon some very important economic principles, it does not owe its existence to any special ideology—it is not even accurate to portray it as a “free-trade charter,” as it sometimes is, since it clearly permits protective actions in a variety of circumstances. Indeed, this leads naturally on to a third advantage: that of pragmatism and political realism.

The GATT, despite its considerable contractual influence, cannot impose judgments and demands upon sovereign governments. It is, perhaps, better portrayed as a means of saving governments from themselves—ensuring, however imperfectly, that decisions affecting broad national interests are not taken as knee-jerk reactions to special-interest groups. The GATT operates in the interests of taxpayers, businessmen, consumers, the employed and, most importantly, the unemployed who seek jobs.

Perhaps, above all, the GATT is a flexible instrument. It has survived because it has retained the capacity to be relevant and to react effectively to changes in economic relations. And the world has certainly changed in these 40 years.

The GATT began its life very much as a forum for tariff-cutting negotiations with many of its rules designed solely to protect the value of tariff concessions. This is the area of GATT's most obvious success. Industrial tariffs have been brought down from around 40-45 percent in the post-World War II period to less than 5 percent now.

Although the GATT was able to encourage the removal of many quota restrictions that, in the 1950s, existed throughout Western Europe for balance-of-payments reasons, it was only in the 1970s that it truly turned its attention to non-tariff measures. The Tokyo Round was an undoubted success in developing a variety of codes addressing difficult areas of trade policy like government procurement, technical barriers, customs valuation and so on. Today, we continue to work to ensure adequate implementation of the disciplines in these codes by the countries that participate in them.

As well as those very obvious successes, other aspects of GATT's first 40

years are worthy of positive note. For instance, even if it is criticized, the dispute-settlement system has been remarkably effective with over one 100 cases being resolved through the panel system and many more through GATT-initiated conciliation. It is also worth noting that countries are making more use of the disputes settlement system now than ever before.

Another important and very positive change has been the increase in GATT's size (from 23 countries to 95 with around a dozen currently considering or actively negotiating accession) and, with that, the assimilation into the system of over 70 developing countries. These are very big changes. The days are long gone when a few powerful industrial countries could dominate decision-making in the GATT. Much effort is made by the secretariat in helping to ensure that developing countries have the capacity not merely to negotiate accession, but to be effective once they are contracting parties. Of course, the GATT itself was extended in the 1960s to include new rules giving developing countries some special benefits within the system.

Naturally, there is a negative side to GATT's recent history. For all its early success, by the mid-1970s the credibility of the GATT system was under some strain. In the 10 years or so since, international trade has been dogged by continual disputes, by escalating agricultural subsidies and by a new creativeness on the part of governments in finding even more devices with which to shield their most problem-ridden industries from competition—most notably through various efforts at managed trade, including the so-called voluntary restraint arrangements.

As trade policies have strayed from GATT rules, so other factors have also contributed to declining world trade growth—the debt problem and reactions to rapid movements in exchange rates are two major examples. Lower economic and world trade growth have led to factory closures, high unemployment and low investment—pressures that on occasions have challenged the idea of a multilateral trade system, harking back to the inward-looking ideas of the 1930s and threatening the same results.

The lessons of the 1930s are particularly important for us today against the background of recent developments in financial markets and the talk of parallels with 1929. It is worth recalling that protectionist trade policies in a number of countries in the early 1930s—including the Smoot-Hawley tariff legislation in the United States—helped convert a reces-

sion into the Great Depression. If the United States and other countries fail to keep their markets open through the current period of economic turbulence, we could expect a serious worsening of the investment outlook, which in turn could lead to a global recession.

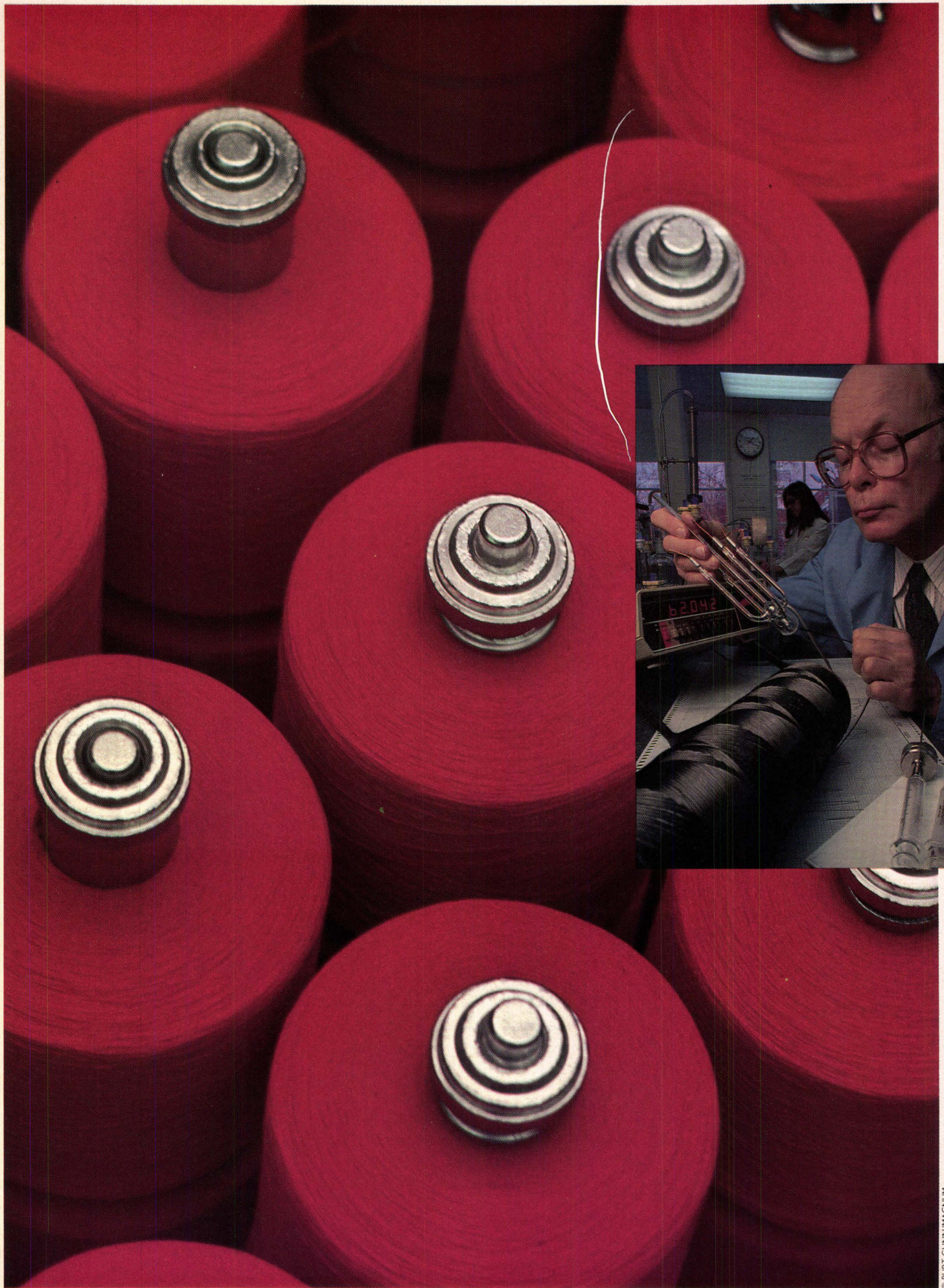
In any case, the trading world of the 1980s is not that of the 1940s. High technology, for instance, has revolutionized production processes and accelerated changes in consumer products. For many countries services have begun to account for a high proportion of their foreign trade. The rapid movement of capital around the world is having a significant effect on trade with investment and production decisions becoming increasingly “globalized.” While many developing countries remain poor and dependent upon single commodities, others have sprinted ahead to produce goods not just cheaply, but with an unparalleled degree of technical sophistication.

Taken together, all these developments pointed to the need for unavoidable and significant reform in the trading system. Indeed, much of the first half of the 1980s in GATT was spent preparing for the time when the political commitment for such reform could be achieved. Finally, in Punta del Este, last year, the Uruguay Round of multilateral trade negotiations was launched.

The Round has meant a truly enormous undertaking—requiring a major commitment of time and effort on the part of all participating governments. There are, as many readers will be aware, some 16 negotiating areas including agriculture, services, tariffs, intellectual property rights, textiles and clothing, the rules on emergency “safeguards” action against imports tropical products and so on. In short, every real problem which faces the GATT and its member countries is being negotiated with a view to getting the trading system back on the rails.

The Round is, undoubtedly, a great challenge to governments and their negotiators. They have been given four years in which to complete it. That should not mean that traders must wait that long for any worthwhile results—they could come earlier—but the round has to be regarded as a single package in which every participant makes concessions and reaps practical commercial rewards. The final objective is a multilateral trading system, relevant and responsive to the world of the 1990s and beyond, and capable of providing secure and stable conditions for economic development and business confidence. In short, a GATT which looks forward to the next 40 years. €







# THE E.C.'S TEXTILE TRADE POLICY

## AT ODDS OVER PROPOSED U.S. TEXTILE AND APPAREL BILL.

JEAN-PIERRE LENG

**A** new system of bilateral trade agreements between the European Community and its major suppliers of textiles and clothing has been in application since the beginning of 1987. These five-year agreements, which were renegotiated during 1986 in conjunction with the removal of the Multifibre Arrangement—MFA IV—have been adapted to bring them more into line with currently prevailing conditions.

In accordance with the E.C.'s more liberal approach to textile trade policy that is decided by the E.C. Council of Ministers, the terms of the agreements represent a clear improvement over the preceding ones as regards access to E.C. markets for textile and clothing imports. They also contain new elements designed to prepare the creation of the unified E.C. market in 1992.

These agreements provide a necessary stable framework that permits the orderly development of trade, but at the same time they provide certain safeguards for the E.C.'s industry, which has to face competition from products manufactured under radically different conditions or coming from sources that do not adequately respect the rules of fair trade.

E.C. imports of textiles and clothing from those MFA suppliers, with whom the E.C. has bilateral agreements, have been developing steadily over the last few years. In the last year, however, there has been a sharp increase of this rate of

growth, with imports up by 19 percent over the previous year. Figures for the first half of 1987 indicate a slightly higher rate of growth this year of 20 percent. This has caused some difficulties for a number of branches of E.C. industry, particularly in certain E.C. member states. Fortunately, the E.C.'s textile trade agreement provides a mutually accepted framework for the resolution of such problems, and in recent months the E.C. has succeeded in arriving at agreed solutions with all the supplier countries involved.

Despite current difficulties, the E.C. intends to continue implementing its bilateral agreements in as liberal a spirit as conditions permit. E.C. thinking, with respect to textile trade issues, is that an unduly protectionist stance is economically shortsighted and is certain to prove counter-productive, not only in the field of textiles, but also in the wider context. Unfortunately, many in the U.S. Congress do not appear to subscribe to this view, judging from the support that has so far been given to the U.S. textile and apparel trade bill.

U.S. policy on textiles has tightened significantly over the last few years as the U.S. Administration has maintained the more restrictive stance originally adopted to compensate for the overvalued dollar. The effects are clearly revealed by U.S. import statistics that show import growth into the United States has slowed down. In contrast to the E.C., imports into the United States grew by 18 per-

E.C. imports of textiles and clothing from the United States have been growing rapidly, by almost 40 percent in 1986 and by a further 20 percent in the first six months of 1987.

LEFT: © BURT GLINN/MAGNUM. RIGHT: © GILLES PERES/MAGNUM



cent in 1986 and by a mere 3.9 percent in the first seven months of this year.

As for trade between the E.C. and the United States, E.C. exports of textiles and clothing to the United States, which stabilized in 1986, have in the first half of 1987 dropped by a further 6 percent. In contrast, imports from the United States have been growing rapidly, by almost 40 percent in 1986 and by a further 20 percent in the first six months of 1987. This is in line with the wider trend whereby the E.C.'s textiles and clothing exports to the rest of the world decreased by 5.9 percent in 1986 and U.S. exports rose by 4.6 percent.

These trade figures should be seen against the respective economic backgrounds. The U.S. textile and clothing industry is in a far more buoyant state than its counterpart in the Community. Total production of textiles in the United States grew by 10 percent in 1986, more than four times as fast as in the Community. Today, the output of U.S. textile mills is 23 percent above the level of 1977, whereas in the E.C. output is only 1.8 percent above 1977. In addition, official U.S. sources themselves point to the current unprecedented rate of capacity utilization, while the unemployment situation is also more favorable than in the Community. Moreover, it should not be overlooked that despite the development of the last few years, import penetration in the United States, at 25 percent, remains substantially below that of the E.C.-10 figure of 43 percent in 1986.

The above comments clearly show that there can be no justification for any further tightening of U.S. import controls. Rather, the reverse would be more appropriate. Should the textile and apparel trade bill ever become U.S. law, there should be no doubts in anyone's mind regarding the E.C.'s reaction.

We have repeatedly warned of the inevitable consequences. The E.C. will be obliged to take such action as is necessary to cope with the resulting trade diversion, and it will have to reconsider its textile policy vis-à-vis the United States. In all probability, other participants in the world trading scene would have to follow suit and the net outcome for the United States could be an intensification of the very problems that the textile trade bill is, so heavily handedly, seeking to resolve. Moreover, the dangers engendered by such legislation would go well beyond the immediate, direct adverse effects on the international textile trade regime and would, I am afraid, jeopardize the whole process now underway in Geneva.

Indeed, for all of us, and particularly for

the United States, the importance of exercising moderation is heightened by the opening of the Uruguay Round of the Multilateral Trade Negotiations. The objectives of this new round are, rightly, ambitious ones. Many longstanding distortions in the world trading system have intensified over the years, while new problems have accumulated. Substantial reforms are needed to place international exchanges of goods and services on a sounder footing, thus permitting their further growth.

Trade in textiles and clothing cannot be excluded from this process. The General Agreement on Tariffs and Trade (GATT) contracting parties have agreed that the textiles and clothing negotiating group should seek the means for "the eventual integration of this sector into GATT on the basis of strengthened GATT rules and disciplines."

How far and how rapidly the work of the textile negotiating group can proceed depends on many factors. In addition to the development of the international economy in

deliberately leave aside the question of social and working conditions or political circumstances that sometimes enable countries to keep wage costs at unacceptably low levels.

It is clear then that progress in the textiles and clothing negotiating group can only take place if there is progress in the groups working on other areas of relevance for trade in textiles. I have already mentioned tariffs, nontariff obstacles, subsidies and dumping as problems that need to be tackled. To these we must add the subject of safeguards—which is of paramount importance—and the protection of trademarks and models. Even more than is the case in other areas of

negotiation, the work being undertaken in the textiles and clothing group can proceed only as fast as progress in other groups will permit.

It is also clear that the matter cannot be seen in terms of extracting concessions out of one or the other side. Progress can and, I believe, will be achieved by a common effort, along a wide front, that will take full ac-

Trade in textiles and clothing should not be excluded from the Uruguay Round



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## TODAY, U.S. TEXTILE OUTPUT IS 23% ABOVE THE LEVEL OF 1977, WHEREAS E.C. OUTPUT IS ONLY 1.8% OVER 1977.

general and textiles in particular, progress in liberalizing textile trade is linked, as the wording of the Punta del Este declaration implies, with progress in other areas.

At present, the MFA provides a much-needed, stable framework for trade in a sector that is subject to many distortions and rife with unfair trading practices. Countries with thriving textile and clothing sectors—well beyond the infant-industry stage—persist in maintaining abnormally (generally unbound) high tariffs, or other barriers to trade, while subsidizing exports to an extent that can no longer be considered justified on development grounds.

It is one thing to make fair use of comparative advantages, stemming from such factors as low labor costs, and another thing altogether to seek to boost further this advantage by excessive subsidization or other unfair means. Here I

count of the various interests involved and will seek to balance these in a fair manner. This common effort also involves the European textile and clothing industry.

Under the relatively stable conditions provided by the textile trade regime of the last 10 years or so, laudable progress has been made by the industry in modernization and restructuring, although the cost, in terms of employment, has been high. More needs to be done, but time is still available for this.

The present MFA will remain in force until mid-1991, and it is up to industry to make the most of the opportunity to complete its modernization and to ensure that it is efficient enough to withstand competition from imports and to profit from the new opportunities that we hope will result from the Uruguay Round. €

Jean-Pierre Leng is the E.C.'s special representative for textile negotiations.



# REAGAN WELCOMES EUROPEAN IDENTITY IN DEFENSE

## U.S. PRESIDENT SAYS N.A.T.O. MUST BECOME MORE AND MORE AN ALLIANCE AMONG EQUALS.

RONALD REAGAN

I know that some in Europe and in the United States . . . view the [INF] treaty with anxiety. I welcome the Senate ratification hearings as a forum in which every concern arising from the treaty can be examined. I am convinced that simply by following their own course the hearings will lay anxieties to rest and help to build up the needed consensus. In the meantime, permit me to lay before you some considerations which I believe should form a major part of this dialogue.

Over three years, we and the Soviets will completely eliminate all our INF missiles, the Soviets eliminating about four times as many deployed warheads as will the United States. The Soviets will dismantle not only their SS-20s and SS-4s, but also their shorter-range ballistic missiles, the SS-12s and SS-23s. These shorter-range missiles can be used with chemical and improved conventional warheads and aimed at NATO military targets—in particular, those ports, depots and airfields crucial to NATO's reinforcement plan. Thus, in three years there will be no U.S. or Soviet INF missiles in Europe, none in Asia, none on Earth. An entire class of nuclear weapons will be gone.

The verification regime will be the most stringent in the history of arms control negotiations, with far-reaching implications. For the first time the Soviets will permit on-site inspections, including inspections at short notice—our ability to simply think or suspect something and say, we're coming over. And they can do the same to us. It's a remarkable breakthrough in itself.

What we have here, then, is a new departure in East-West relations—an effective, verifiable treaty that will lead, not just to arms control, but to the first nuclear arms reduction in history. Chan-

cellor Kohl has called the INF Treaty, and I'll quote him, "A great success for the Atlantic alliance."

Well, join me now in looking beyond the treaty, in consisting—in considering our treaty for the future.

It's clear, to begin with, that maintaining the strength of the alliance is essential. For our part, let me assure you that we'll keep our American servicemen stationed in Western Europe. And let me ask, what more convincing form of "coupling" could there be than these hundreds of thousands of Americans and their dependents living and working among our European allies?

Furthermore, let there be no doubt our commitment to the NATO strategy of flexible response will remain steadfast, assuring that aggression at any level cannot be successful. Specifically, we'll retain a modern nuclear deterrent on the ground, in the air and at sea. Our commitment to NATO's permanent readiness to respond as necessary to any form of aggression also remains steadfast.

As you know, we're doing all we can to go on diminishing the nuclear threat. Above all, I'm pressing ahead for an effectively verifiable START treaty, reducing U.S. and Soviet strategic arms by 50 percent. And during the just completed summit further concrete progress was made in this regard.

As another vital component of our strategy for a safer future, we'll continue to move forward with our SDI program. As I said last Thursday in my address to the nation, when we have a strategic defense ready to deploy, we will do so.

That, then, is the American position. With regard to our allies, in recent years we've seen the emergence of a willingness to seek a larger, more closely-coordinated role for Western Europe within the broader framework of the Alliance. We have seen, for example, the issuing of the Western European Union Proclamation on European Security; Franco-German defense cooperation and steps by the

United Kingdom and France to modernize their independent nuclear deterrence.

Well, we welcome this. Indeed, I would point out that while from 1981 to early 1986 the Soviets made it a condition of any INF agreement that French and British nuclear forces be included, we adamantly and successfully resisted this demand. We said there was no way that we couldn't negotiate for our allies. As I said earlier this year at West Point, for these four decades, NATO has too often seemed an alliance between a number of partners and one very senior partner. Well, now the Alliance must become more and more an alliance among equals—indeed, an alliance between two continents.

In the words of a member of your board of trustees, Henry Kissinger, the United States must—and I'll quote, "welcome a European identity in defense, which in the end is bound to spur Atlantic cooperation."

It'll be in this spirit that we and our allies will soon go forward to negotiate with the East on redressing the imbalances in conventional forces in Europe, while, of course, taking the steps we need to strengthen our own conventional forces. And we attach a similar high priority to redressing again, both through negotiations and our own force modernization, the imbalance of chemical weapons which, at present, favors the Soviet Union. And we're acting here with a clear understanding that these imbalances must be addressed prior to any further reductions in the nuclear forces committed to NATO. . . .

Unity, strength, persistence and consistency—these are the lessons of the INF negotiations, and they must form the basis on which we and our allies go on to new negotiations.

Yet at the same time that we insist upon candor and realism—insist, if you will, upon keeping our feet firmly planted on the ground—let us not be afraid to dream, and to let our hearts soar. "Do not mock our dreamers," Heinrich Heine has written. "their words become the seeds of freedom." Who, indeed, would have thought during the difficult years of the late '70s and early '80s—during nuclear freeze protests here at home and mass demonstrations in Europe, who would have thought that a treaty like the one Mr. Gorbachev and I signed last week would ever be achieved?

So, yes, let us think realistically. But let us dream great dreams. And let us remember that perhaps the most fundamental consensus about our nation's role in the world is this: as Americans, it is our duty to ensure the peace while we work untiringly for freedom. ☾

The above is excerpted from a speech by President Ronald Reagan December 14, 1987, at the Center for Strategic and International Studies in Washington, D.C.



# MANAGING INDUSTRIAL WASTE THE EUROPEAN WAY

SOME E.C. GOVERNMENTS PIONEERING NEW METHODS OF ENVIRONMENTAL PROTECTION.

SANDRA POSTEL

**H**ow to handle society's toxic chemical waste now ranks among the top environmental issues in most industrial countries. In October 1986 the United States enacted legislation calling for an \$8.5-billion Superfund for the cleanup of old waste sites. Indeed, for many countries taking on the challenge, locating and cleaning up all the leaking landfills and waste lagoons scattered across the industrial landscape will be among the highest-priced items on their environmental agendas.

Unfortunately, remedying the legacies of past mismanagement only begins to address the toxics dilemma. Unless the wastes currently produced are better managed, new threats will simply replace the old ones, committing society to a costly and perpetual mission of toxic chemical cleanups. A number of countries offer valuable lessons in improving industrial waste management. Few if any nations, however, have adequately tackled the third major task: controlling the total volume of waste generated. Without concerted efforts to reduce, recycle and reuse more industrial waste, the quantities produced will overwhelm even the best treatment and disposal systems, and the goal of risk-minimizing, sustainable waste management will remain elusive.

Most countries still rely predominantly on land disposal methods—such as landfills, lagoons and injection wells—for their hazardous wastes. But in several parts of Europe advanced technologies and effective institutional arrangements have combined to create management systems that appear to prevent most waste from being released into the environment in hazardous forms. Two such programs with comparatively long track records are those in Denmark and the German state of Bavaria.

Though Denmark is not heavily industrialized, the risks of hazardous waste

disposal became a major concern there about 1970, much earlier than in most other countries. Relying almost exclusively on groundwater for their drinking water supplies, the Danes had ample reason for that concern. They established a system, now in operation for more than a decade, that treats, detoxifies or destroys most of the nation's hazardous waste.

At the heart of the Danish system is Kommunekemi, a treatment facility located in the town of Nyborg on the island of Fyn, the nation's geographic center. Industries deliver their toxic waste to the nearest of 21 transfer stations scattered throughout the country. Some 300 smaller collection units—at least one per municipality—accept paints, solvents and other hazardous wastes from households. That waste also goes to one of the transfer stations, from which all waste gets transported to Kommunekemi.

Only about a quarter of the total waste volume entering the facility ultimately gets landfilled. Almost all of it consists of relatively non-toxic and immobilized residues from the various treatment processes. Rotary kiln incinerators operating at 1200°C detoxify solvents, oily sludge and organic chemicals. Waste oils, after treatment, help fuel the barrel-shaped kilns. Steam from the incinerators feeds into Nyborg's district heating system, supplying nearly half the town's heating energy. Electroplating and other inorganic chemical wastes are chemically and physically treated to detoxify the most hazardous compounds and to filter out heavy metals. The resulting filter cakes are landfilled apart from other wastes so that the metals later can be reclaimed. Water from the inorganic treatment plant goes to the municipal sewer system, and flue gases from the incinerators enter the atmosphere. According to plant personnel, releases of dioxin are not a problem at Kommunekemi.

In Germany, the Länder each operate their own waste systems. In Bavaria, as in

Denmark, integrated treatment facilities equipped with incinerators, inorganic chemical treatment plants, and secure landfills form the technological backbone of hazardous waste management. A network of collection stations feeds wastes into Bavaria's regional facilities. Prices charged by the primary management company vary from DM 70 (\$38) per ton for relatively nontoxic wastes to DM 680 (\$368) per ton for highly toxic pesticides, comparatively low figures that reflect government subsidies for plant construction. In a small town called Geretsried, south of Munich, a recycling facility accepts between 2,000 and 3,000 tons of spent solvents each year, reclaiming about half that quantity for resale.

A critical but controversial feature of the Danish and Bavarian systems is the creation of a monopoly market for a publicly controlled company to operate the waste system. With limited exceptions, Danish industries are required to send their wastes to Kommunekemi a/s, a corporation formed and owned by Danish municipalities. Similarly, in Bavaria, Gesellschaft zur Beseitigung von Sondermüll in Bayern mbH (known as GSB) has a monopoly on 70 percent of Bavaria's waste, all except that generated in Middle Franconia, which has its own monopoly company. The Bavarian government owns about 80 percent of GSB, with municipalities and industries splitting ownership of the remaining fifth.

In sharp contrast to this public monopoly approach, the U.S. hazardous waste system is characterized by privately owned, competitive facilities operating with little or no public monies. About 95 percent of U.S. industry's hazardous waste is disposed of on the site where it is generated; scattered commercial facilities handle the rest. Facilities typically offer only one or two methods of treatment or disposal, as opposed to the integrated plants handling all waste types in Bavaria and Denmark. The U.S. Government's role is strictly regulatory: It sets construction and operating standards with which the waste management facilities are to comply.

Neither approach will work best in all situations, since any institutional arrangement must mesh with the prevailing ideology and political culture. But experience to date suggests that a publicly controlled monopoly on hazardous waste management offers some advantages over reliance on a private, competitive market. Since one company, rather than dozens or hundreds, manages waste in a given region, the monopoly approach of-



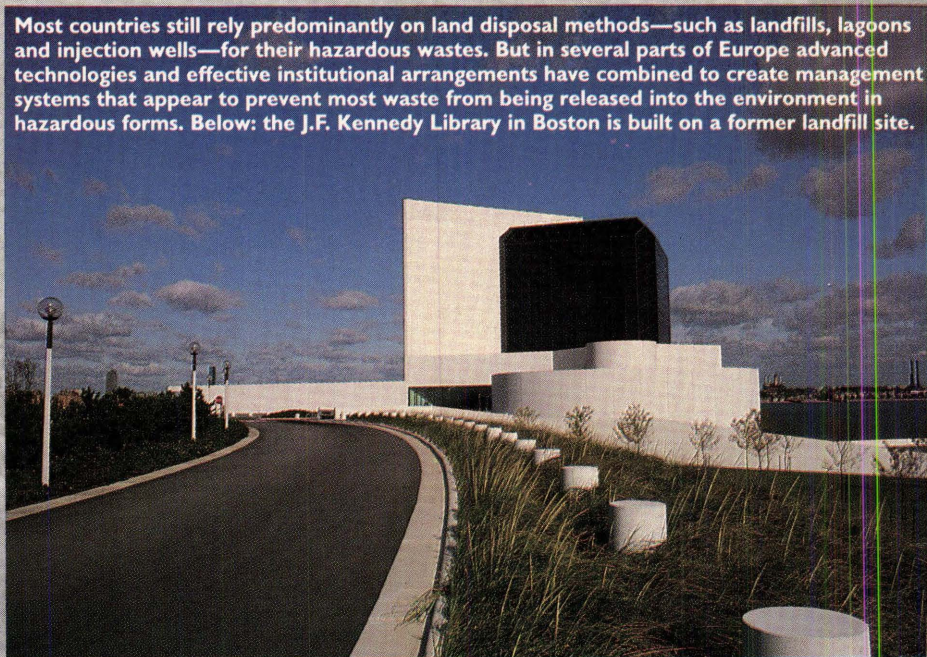
fers greater control and easier enforcement. By obligation, the public companies accept all wastes, whereas a private market might not provide adequately for those that are difficult to treat profitably. Also, as hazardous waste specialists Gary Davis and Bruce Piasecki have pointed out, by requiring industries to deliver most of their chemical wastes to specified facilities, "Denmark and West Germany have avoided America's two most paralyzing regulatory battles—deciding what qualifies as a regulated toxic waste, and how these wastes should be managed to ensure public safety and environmental quality."

One obvious advantage of the U.S. approach is the potential for greater efficiency from the presence of competition and a profit motive. A new set of U.S. regulations banning land disposal of certain highly toxic wastes should promote greater use of incineration and advanced treatment methods over the next several years. Yet more than a decade after passage of the U.S. hazardous waste law, a comprehensive, smooth-running system is not in place. From available evidence, it seems that programs with a strong public sector management role—such as Bavaria's and Denmark's—have come closer to the goal of minimizing risks from chemi-

cal wastes entering the environment.

Regardless of the type of management system established—public or private, monopoly or competitive—greater efforts are needed to curb the amounts of waste being generated. By not producing waste, industries obviously avoid all the costs and risks of treating, storing, transporting and disposing of it. Strategies to reduce waste differ markedly from the end-of-pipe treatment to which most industries have grown accustomed. They focus on the production process itself, examining where wastes are generated and exploring how they can be reduced. Simple housekeeping measures, such as

**Most countries still rely predominantly on land disposal methods—such as landfills, lagoons and injection wells—for their hazardous wastes. But in several parts of Europe advanced technologies and effective institutional arrangements have combined to create management systems that appear to prevent most waste from being released into the environment in hazardous forms. Below: the J.F. Kennedy Library in Boston is built on a former landfill site.**





segregating wastes so that they can more easily be reused, sometimes result in surprisingly large waste reductions. Other options include changing manufacturing processes, using different raw materials, and replacing hazardous products with safer substitutes.

Some of the most appealing strategies stem from examining whether a less hazardous product can replace a hazardous one in performing some particular function. In Austria and West Germany, advocates of "soft chemistry"—a takeoff on the 1970s call for "soft energy" alternatives—point to the widespread substitution of water-based for solvent-based



**Mile High Stadium in Denver is also built on former landfill.**

paints as one example of a shift to safer products that needs to be broadened.

Along with reducing waste at its source, recycling and reusing waste can slow the volume of chemicals needing treatment and disposal and can help keep toxics out of the environment. Many industries recycle a portion of their wastes internally, and to the extent that these quantities are excluded from statistics, recycling rates can be underestimated. Still, in most countries recycling accounts for only a small fraction of the total volume of waste managed.

In Denmark, for example, just 5 percent of the waste handled off-site is currently recycled, most of it solvents. Engineers at the Danish Technological Institute of Copenhagen in Taastrup estimate that 20-25 percent of Denmark's waste stream could be recycled, even assuming no advances in technology. Most of the gains would come from greater recycling of solvents and metals, including mercury, chromium and copper. Similarly, the Environmental Protection Agency (EPA) found that only 4 percent of the hazardous waste generated in the United States in 1981 was recycled. The Congressional Budget Office estimates that 80 percent of waste solvents and 50 percent of the metals in liquid waste streams could be recovered, compared with the EPA's findings of 24 percent and 28 percent, respectively, in 1981.

In Japan, North America and Western Europe, waste exchanges have succeeded to varying degrees in promoting the recycling and reuse of industrial waste. Exchanges operate on the simple premise that one industry's waste can be another's raw material. Most of them serve as information clearinghouses, publishing catalogs of "waste available" and "waste wanted" listings to inform industries of trading opportunities. A successful trade benefits both buyer and seller, since the former reduces its raw materials costs and the latter its treatment and disposal costs. More than a decade of experience with waste exchanges in Europe suggests that only 5-10 percent of a region's waste might practically be recycled via an exchange. Still, in conjunction with other recycling and waste reduction efforts, exchanges can provide a valuable management alternative.

Virtually no country has yet designed an effective, long-term strategy on industrial chemical wastes. Although some nations, notably several in Western Europe, have established impressive waste management systems, efforts to curb the quantities generated need far greater attention. Spotty data on the types and volumes of toxic waste that industries currently produce make it difficult to set goals. But more vigorous research and development in waste-reducing technologies, technical and financial support to encourage investments in such technologies and, in some cases, a tax on waste generated could probably cut problem wastes by at least a third in most countries over the next decade.

Several West European nations now show strong commitments to promoting "cleaner technologies" and other methods of curbing toxic pollution. The French Government, for example, pays up to half the costs for research into widely applicable waste-minimizing technologies, and offers investment subsidies of 10 percent for demonstrations of pollution prevention techniques. Since 1979, some 86 research projects have benefited from the investment subsidies. Officials estimate that in 1984, government expenditures to promote cleaner technologies totaled about \$31 million, inducing investments by private industry of several times that amount.

The Netherlands, too, has embraced waste reduction as a way of boosting industrial competitiveness while simultaneously protecting the environment. A special Committee on Environment and Industry has aided some 200 clean technology research, development and demonstration projects, including some on the potential role of biotechnologies in curb-

ing waste production. The Dutch Government spends about \$8 million per year on such efforts, a large sum for a country of only 14.5 million people.

Both Denmark and West Germany, widely lauded for their waste management systems, have recently stepped up their waste reduction efforts. In February 1987, the Danish Parliament allocated 50 million kroner (\$7.1 million) for a three-year pilot program of direct investment subsidies for clean technologies. If the subsidies prove effective in the industries studied, a larger program could be initiated. In Germany, a 1986 law tightening treatment and disposal requirements is expected to at least double and possibly triple waste management costs, providing a strong economic incentive for waste reduction. In addition, the Ministry for Research and Technology and the federal environmental agency help fund waste minimization R&D projects. A program supporting pilot projects also began in 1986, with funding of 15 million DM (\$8.1 million) per year for two years.

Efforts in the United States pale in comparison to these European initiatives. In passing the 1984 hazardous waste law, Congress declared it to be "national policy" that "wherever feasible, the generation of hazardous waste is to be reduced or eliminated as expeditiously as possible." Yet the EPA's 1988 budget request for waste minimization activities totals just \$398,000—0.03 percent of its \$1.5 billion operating program budget, and less than was spent in 1986. In a 1986 report to Congress on waste minimization, the EPA proposed only to gather information on industry's activities and to provide assistance to states developing their own programs; the level and kind of assistance remained unclear. Believing no further action should be taken until the effects of the legislated land disposal bans could be judged, the agency recommended it report back to Congress in December 1990, and perhaps then consider additional measures.

With the United States already facing costs of from \$20 billion to \$100 billion to clean up old toxic waste sites, it seems especially foolhardy to ignore the time-worn truism that an ounce of prevention is worth a pound of cure. By investing modestly in waste reduction now, the government can avoid future problems and costs arising from waste mismanagement, shortfalls in treatment capacity, and public opposition to siting new facilities. **E**

Sandra Postel is the author of the recent Worldwatch report, "Defusing the Toxics Threat: Controlling Pesticides and Industrial Waste," from which this article is excerpted.



# Announcing 1987 Gold & Silver ECU Coins Finally . . . Coins From ALL Europe

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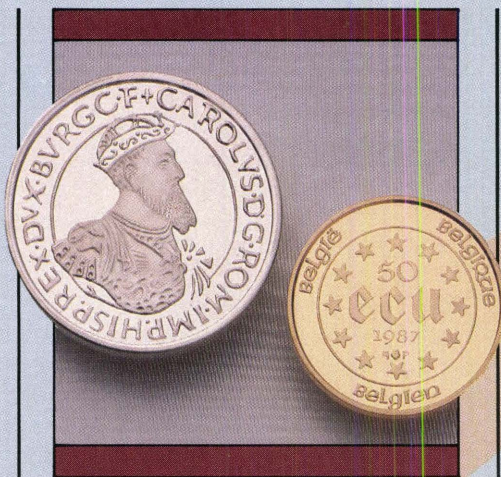
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- The first year of a major country's issue. The Proofs are planned to be issued in 1988 and 1989 as well;
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EU 348



# EUROPE'S REGIONAL POLICY

ACTIONS SEEK TO REDUCE REGIONAL DISPARITIES WITHIN THE COMMUNITY.

In every country of the European Community, there are disparities between the level of developments and prosperity of different regions. These disparities, caused by an unequal distribution of economic activity, are much more pronounced when the E.C. is taken as a whole. The ratio between the least-developed and the most prosperous regions, measured in terms of employment and production, is 1 to 1.3 in Greece, 1 to 1.7 in Spain, 1 to 1.8 in France, 1 to 1.9 in the Federal Republic of Germany, 1 to 2.1 in the United Kingdom, 1 to 3.9 in Italy, but 1 to 4.7 in the E.C. at large.

The regions with the most serious problems can be divided into two main groups:

- The first consists of underdeveloped regions, whose economy still depends for the most part on agriculture. These regions have low levels of income and, frequently, high unemployment and poorly developed infrastructure. They are to be found principally in Greece, Spain, Portugal, the Italian Mezzogiorno, Ireland and Northern Ireland and the French overseas departments. All of them are on the periphery of the E.C., a factor that makes their economic development even more precarious.

## A MORE BALANCED DISTRIBUTION OF ECONOMIC ACTIVITY IS ONE OF THE BASIC PRECONDITIONS FOR PROGRESS.

- The second group comprises areas whose former prosperity was based on industries that are now in decline, such as coal, steel, shipbuilding and textiles. They were in the forefront of the first industrial revolution but now have outdated industrial structures and high unemployment. There are many such areas in the United Kingdom and also in France and Belgium.

The recession has compounded the problems of rich and poor areas alike. Unemployment has increased every-

where, albeit at markedly differing rates. The less-favored regions are as far behind as they were and, to make matters worse, certain industrialized regions have gone into decline as well.

### The Need for a Regional Policy

Regional disparities in economic performance impede economic and social cohesion within individual countries as well as in the E.C. as a whole. For that reason, national governments have for many years had policies to stimulate the economic development of regions that are in difficulty. Government aid has been made available to encourage businesses to set up in these regions and create new jobs there; infrastructures have been improved in order to improve production conditions and attract investors.

An effort at E.C. level is still indispensable:

- In a large economic area like the E.C., national policies alone are no longer enough to reduce regional disparities. We have already seen how the disparities are even greater at the European level than at the national level. The E.C., therefore, has a special responsibility to work for greater convergence among the economies of member states and for a more

balanced distribution of economic activity.

- A growing number of political decisions, in such areas as external trade, agriculture and industry, are now reached at European levels rather than being taken unilaterally. These decisions do not necessarily have positive consequences for all regions. The E.C. has a particular responsibility to deal with the problems that can sometimes arise in this way.

- Finally, coordination is obviously needed

for the provision of public infrastructure (roads and canals, for instance) and investment aids, for regions straddling the E.C.'s internal frontiers.

Under the Treaty of Rome establishing the E.C., the European Economic Community (EEC) has the task of promoting a harmonious development of economic activities throughout its territory, as well as an accelerated raising of the standard of living. In the Single European Act, which strengthens the Treaty of Rome, it is made clear that the E.C. must reduce the disparities between the various regions and the backwardness of the least-favored regions.

To carry out an effective regional policy, the E.C. bodies clearly need to evaluate the relative gravity of regional problems on a European scale. A region that is considered disadvantaged by the standards of a prosperous country might be fairly rich by the standards of a poor one. E.C. criteria are therefore necessary in order to make valid compromises and determine priorities for action. To that end, the E.C. Commission periodically draws up a report on the economic and social situation of all the regions of the Community. On that basis, it proposes to the E.C. Council of Ministers priorities and policy principles for regional development.

### Three Dimensions of Regional Policy

First, the E.C.'s regional policy attempts to coordinate the regional policies of member states. Secondly, it introduces a regional dimension to the other policies of the Community. Thirdly, it provides a wide range of financial aid for development activity to benefit the less-favored regions of the Community.

Financial aid alone is not enough to reduce the disparities between the E.C. regions. The success of regional-policy efforts requires, first of all, close collaboration among the member states.

It would not be desirable to attempt to impose a uniform pattern of regional development on member states. Coordination of national policies is, however, indispensable: These must be compatible with each other and with E.C. objectives. The purpose of this coordination is to ensure that resources are used where they are most necessary for ensuring a gradually better distribution of economic activity and prosperity. It involves coordinating state regional aids and development programs.

- Where public aid for investment is concerned, governments are often tempted





CHART ILLUSTRATION BY BOHOK CHA

to engage in destructively outbidding each other by increasing the level of their aid. Common rules are needed to avoid wasting money and to ensure greater coherence. The Commission, therefore, defines the regions in which state investment aids are allowed and sets ceilings for these aids. The ceilings vary according to the seriousness of the problem faced by each region.

- Regional development programs are the other main instrument for coordinating

regional policies. Member states must indicate in these programs the problems of each region where public regional aid is allowed and the national measures by which it is intended to resolve the problems. The programs are thus drawn up on a common model and enable national regional development aids to be compared and coordinated. They also serve as a reference framework for the allocation of money from the European Regional Investment Bank.

Because of the interdependence of economic and regional policy, the E.C.'s regional policy is linked to its approach to the various sectors of the economy. It is not possible to ignore the regional impact of E.C. policy in a given sector, when that sector represents an important part of the economic activity of a region.

More analysis of the regional impact of sectoral policies, however delicate it may be in many cases, must be carried out by the Commission, the Council of Ministers



and the European Parliament. The point is to avoid increasing the handicaps of backward or declining regions and to allow them to take full advantage of new policies. Gradually more account has been taken of regional effects in the Common Agricultural Policy (in regard to Mediterranean produce, for example) and in a number of other sectoral policies (steel, shipbuilding, textiles, fisheries). The principle is being applied in the fields of energy (the E.C.'s Valoren program) and telecommunications (the STAR program).

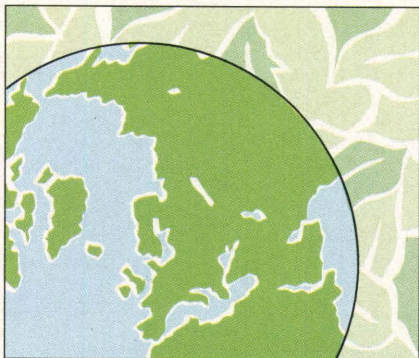
The E.C.'s most obvious contribution to regional policy is of course its various financial aids, particularly those from the European Regional Development Fund (ERDF) and from the European Investment Bank, but also from other structural aid facilities:

- In coal and steel areas, the *European Coal and Steel Community* (ECSC) has, since 1954, given loans totaling nearly 14 billion European Currency Units (ECU)—including nearly 1.1 billion in 1986—to modernize coal and steel industries and to attract new job-creating investment.

- The *European Investment Bank* (EIB) has the task of helping to ensure balanced development in the Community. To that end, it gives loans to aid regional development, particularly for public and private investment in infrastructure and industry.

Of the 42.1 billion ECU loaned by the EIB in the E.C. between 1958 and 1986, nearly 27.5 billion ECU were for developing less prosperous regions. The amount loaned for that purpose in 1986 was about 54 percent of total lending.

- A *New Commu-*



## THE NEW "SINGLE EUROPEAN ACT" PROVIDES FOR A REMODELING OF THE OF THE E.C.'S STRUCTURAL FUNDS.

*nity Instrument* (NCI) has been in existence since 1979 and gives loans largely for modernizing infrastructure, developing energy resources and, since 1982, particularly for developing small and medium-sized businesses. A total of 5.5 billion ECU has been paid out, 393 ECU million of which was distributed in 1986 alone. It should be emphasized that, in order to complement the activities of the EIB, these loans were mainly directed to investment outside regional development zones; still, the less prosperous regions

received 30 percent of the 4.5 billion ECU loaned between 1982 and 1986.

- The *European Social Fund* and the ECSC have together given aid totaling 15.5 billion ECU, 2.7 billion ECU of which was spent in 1986, for the training, hiring and retraining of workers. A very large proportion of this aid was directed to projects in less-favored regions. Since 1986, 44.5 percent of Social Fund aid has been reserved for priority regions: the Mezzogiorno, Greece, Ireland, Northern Ireland, French overseas departments, Portugal and several regions of Spain.

- The *Guidance Section of the European Agricultural Fund* (EAGGF) has given aid totaling about 9.1 billion ECU for the modernization of food production and marketing structures.

- Finally, the *European Regional Development Fund* (ERDF) has given 17.5 billion ECU since its creation in 1975, including more than 3.3 billion ECU in 1986, for promotion of economic activity and infrastructure in regions that qualify for E.C. aid. These regions have 132 million inhabitants, 41.3 percent of the total population of the Community.

The E.C. thus has a whole range of budgetary and lending instruments that, though they are geared for different areas, have the same objective: economic development. For several years the E.C. has been improving the coordination of its

aid, not only at the level of principles and guidelines, but also in regard to specific operations on the ground. Hence the "integrated approach" that has been put into practice in certain specific cases. Several activities of this kind are going on; an ex-

restructuring of declining industrial areas.

The new Regional Fund Regulation (EEC) No. 1787/84 has been in force since January 1, 1985. Its chief innovations are:

- Particular emphasis on the co-financing of programs;
- Promotion of the regions' indigenous development potential;
- More coordinated aid from different E.C. instruments for regional development.

Under the new regulation, the Regional Fund can help finance programs, individual projects and studies. Programs consist of coherent sets of projects and activities for a certain zone, to be carried out over a period of years:

- *E.C. programs* ensure that regional development objectives dovetail with the aims of other E.C. policies. The initiative for these programs is taken by the E.C. Commission, which proposes an overall framework (objectives, area of operation, kind of aid, rules for obtaining it and level of participation of the ERDF) to be approved by the Council of Ministers, deciding by qualified majority. Detailed implementation programs are then drawn up by the member states concerned in co-operation with the Commission, which approves and co-finances them.

- *National programs of E.C. interest* help to achieve the aims of the Community. They are proposed by member states and adopted with the approval of the Commission, which co-finances them. For their implementation, there are sustained consultations between local, regional, national and E.C. authorities. The programs are the vehicles for the application of a regional development strategy to a zone or to several sectors of value to development.

The ERDF also gives a large measure of aid to *individual investment projects* in infrastructure or in industry, handicrafts or services. Measures to exploit the indigenous development potential of regions account for a significant proportion of these programs. They can also be presented as coherent sets of individual projects. Their purpose is to identify the individual development possibilities of regions, to support businesses—particularly small and medium-sized enterprises—in such matters as technology transfer, market studies, common services and access to capital markets, or to contribute toward public spending on planning, technical preparation and implementation of ERDF aid. In encouraging activities of this kind, the E.C. wants to give a new direction to its regional policy.

For a long time, the policy was centered on external investment and inves-

ample is the Integrated Mediterranean Programs, which were begun in order to modernize the regions most exposed to increased competition as a result of the last enlargement of the Community.

### The ERDF

The specific objective of the ERDF is to help to correct the most serious regional imbalances in the Community. To do that, the fund makes a contribution to the development and structural adjustment of underdeveloped regions and to the



tors that would move into less-favored regions themselves, whether they be small and medium-sized businesses, handicrafts, alternative energy sources or whatever. This change is made all the more necessary because the recession is making it more and more difficult to attract investment to the less-favored regions. One of the ways of stimulating the productive sector is to help those who work in economic promotion; these people have the task of canvassing initiatives through information campaigns and of helping the commercial operator as the project is being carried out.

The ERDF can also co-finance studies that are either closely linked to the operation of the fund or are of particular value for the effective utilization of resources. The financing available under is divided among member states according to a set of upper and lower percentage limits:

Belgium 0.61% to 0.82%

Denmark 0.34% to 0.46%

Germany 2.55% to 3.40%

Greece 8.36% to 10.64%

Spain 17.97% to 23.93%

France 7.48% to 9.96%

Ireland 3.82% to 4.61%

Italy 21.62% to 28.79%

Luxembourg 0.04% to 0.06%

Netherlands 0.68% to 0.91%

Portugal 10.66% to 14.20%

United Kingdom 14.50% to 19.31%

The lower limit in each case is the minimum ERDF financing guaranteed to that member state, on condition that enough eligible requests for aid are submitted to the Commission. The variation each year in allocations between the upper and lower limits will depend on the extent to which projects and programs submitted for ERDF financing are considered significant in E.C. terms. The rate of financing by the ERDF will generally be 50 percent to 55 percent of the public expenditure on the project or program in question, including the E.C. grant.

The ERDF also gives grants for "specific regional development programs." These were initiated under the old fund regulation that was in force until 1985. The specific programs were principally intended to forestall the unfavorable effects of the enlargement of the E.C. on certain regions, or were intended to complement E.C. redevelopment programs in regions dependent on steel, shipbuilding, textiles, clothing or fishing. This kind of aid is given outside the set percentage limits and is to be replaced by E.C. programs when the current projects are completed.

#### 1975-86: Twelve years of ERDF aid

In the 12 years of its existence, from 1975 to 1986, the ERDF has had its budget

increased twelvefold. It has grown from 257.6 million ECU in 1975 (4.8 percent of the E.C.'s general budget) to over 3.3 billion ECU in 1987 (9 percent of the budget).

The distribution of ERDF aid shows a strong concentration in a number of member states that display the most serious regional imbalances. In 1986, more than 87 percent of the aid was concentrated in six countries: Italy, Spain, the United Kingdom, Portugal, Greece and Ireland. If ERDF financing is related to the number of people living in the eligible areas of each country, the Greece and Portugal come out on top, followed first by Ireland and then by Spain and Italy.

Nearly 73 percent of ERDF aid in 1986 went to the priority regions: the Mezzogiorno, the regions of Greece (excluding Athens), Ireland, Northern Ireland, the French overseas departments and most of the regions of Spain and Portugal.

Since it was set up, the ERDF has co-financed with member states more than 33,000 *individual investment projects*. These consisted of:

- Investments that allowed the creation or preservation of jobs in industry and services. Projects totalling 8,559 were co-financed and about 765,000 jobs were created or preserved, according to the advance estimates supplied by the member states. A similar number of jobs should be created indirectly. Where it is a question of preserving jobs, the investment must be made in the framework of a redevelopment or restructuring program that ensures the establishment will be competitive. Because member states have not submitted enough applications, the share of ERDF allocations going to industry and services is still below the target of 30 percent.

- Infrastructural work contributing to regional development (roads, ports, industrial parks, power stations, etc.). Since 1975, the Fund has co-financed nearly

ERDF regulation. Between 1981 and 1986, the Commission approved 25 programs and gave them ERDF aid totalling 859 million ECU, spread over several years.

In 1985, the ERDF began to give aid to *national programs of E.C. interest* and to projects that were not programs, but were aimed at realizing the *indigenous potential* of regions. After a start-up period, requests for aid under these new forms became more numerous in 1986. In 1985 and 1986, the Commission decided to give ERDF aid to 20 national programs of E.C. interest and to four projects concerning the indigenous potential of regions; they were allocated a total of about 706 million ECU over a number of years.

The first *E.C. programs* were implemented in 1987. Their aims are to improve access for less favored regions to advanced telecommunications services (STAR) and to put local energy potential to use (Valoren). The basic regulations for these programs were adopted by the Council of Ministers in October 1986. The regions involved are those of Greece, Portugal, Ireland, the United Kingdom (Northern Ireland), the Mezzogiorno, Spain, Corsica and the French overseas departments. The total ERDF aid for these programs is to be 1.2 billion ECU over five years.

The E.C.'s regional policy dates from 1975: It is a relatively recent thing but it has developed rapidly. Its impact has become even greater due to the implementation of the new forms of aid set out in the regulation that entered into force on January 1, 1985. A further reform is now being prepared, following the adoption of the Single European Act, which reinforces the Treaty of Rome. The Act provides for a remodelling of the structure and operation of the E.C.'s structural funds, including the ERDF. It will involve clarifying and rationalizing their tasks, so

## REGIONAL DISPARITIES IMPEDE ECONOMIC AND SOCIAL COHESION WITHIN INDIVIDUAL COUNTRIES AS WELL.

25,000 projects, such as the supply of natural gas to the Mezzogiorno. According to some estimates, the activity generated by infrastructural investment aided by the ERDF since its creation is equivalent to a year's work by 1.3 million people in the building and public-works sector.

From 1981, *certain specific E.C. regional development activities* were undertaken in the form of programs, a departure that foreshadowed some of the general approaches embodied in the new

as to increase their efficiency and better coordinate their activities. This overall reform is necessary in order to give new impetus to the reduction of regional disparities, which have been increased by successive enlargements of the Community. A more balanced distribution of economic activity is one of the basic preconditions for progress in the building of the Community. It is also a tangible symbol of European solidarity. €



# E.C. FINANCES EMERGENCY AID FOR ETHIOPIA

"AIR BRIDGE" FERRYING SUPPLIES BEGAN  
NOVEMBER 28.

MARC PIERINI

**W**hen the first Lockheed Hercules of the Belgian Air Force took off from Melsbroek Air Base on November 28, bound for Asmara, Ethiopia, only 10 days had passed since the European Community had taken its decision on emergency assistance for this country.

Once again, the international donor community—bilateral, multilateral and non-governmental institutions—is coming up with the means to cope with a vast

food emergency in Ethiopia. During the 1984-85 famine, they came up with 1.3 million tons of cereals (or cereal-equivalent) and the logistics to transport, protect and distribute this food as well as shelter and medical care for the famine-distressed populations.

This time around, reports were in very early that Ethiopia was faced with a food deficit close to 1 million tons of cereals. More recent evaluations—by an FAO mission and by a multi-donors mission to the Ethiopian provinces of Igray and Erythra in early November—stood at

1.2 million to 1.3 million tons of cereals. As soon as these reports were received—on November 16, to be precise—E.C. Commission Vice-President Lorenzo Natali directed his staff to act quickly and a decision was made on November 18 to finance an "air bridge" between Asmara and Mekele and a series of other actions.

## **An Integrated, Multiform Emergency Operation**

Obviously, putting in motion an emergency operation of the magnitude re-

For further information,  
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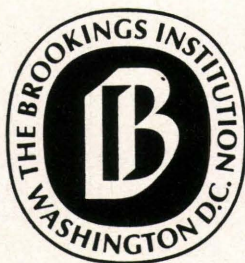
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- the changing role of the Common Market institutions
- trends in the European economies and implications for transatlantic economic cooperation
- the state of European technology and entrepreneurship
- changes in the European financial and legal environment





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Famine relief supplies arriving in Ethiopia during an earlier effort last spring.

quired for Ethiopia in 1987-88 involves a large number of donor countries, international organizations and non-governmental organizations (NGO).

To take just one example, operations of the "air bridge" type require eight to 10 Hercules aircraft for a period of at least two months. If the Hercules is the workhorse of emergency operations, Ethiopia will also be helped by Soviet Antonos and by smaller Polish aircraft.

#### Food and non-food assistance

Overall, the international food aid effort at the time of writing involves firm decisions on 584,000 tons of cereal equivalent, of which 214,000 tons by the European Community, 148,000 tons by the E.C. member states, 134,000 tons by the United States and the balance by other Western Governments. These quantities are scheduled for delivery between December 1987 and March 1988.

*Non-food assistance* consists of assistance to transport by air and by road, including financing aircraft operation, such as the Hercules rented from Air

Forces or from private companies, financing new trucks and spares to rehabilitate existing fleets, purchasing prefabricated warehouses, tents or tarpaulins to protect food stocks, financing medical/feeding programs run by the Red Cross and various NGOs, distributing seeds for the next planting season, and so on.

All in all, non-food assistance committed to date amounts to approximately \$35 million, of which \$12.5 million comes from the European Community, \$13 million from E.C. member states, and \$5.3 million from the United States.

#### Emergency assistance vs. policy reform

In Europe and the United States, the general public is always deeply moved by television images of famine in African countries, especially in Ethiopia, where the 1984-85 situation was particularly dramatic and where the prospects have not improved much since. The public's response is impressive, but people also have questions on how to find long-term solutions.

Invariably, these questions are: What has the Ethiopian Government done to improve the situation of its farmers? Are

the agricultural policies adequate? Will the country's peasant population rely for ever on international assistance or will something be done to avoid the recurrence of acute food shortages insofar as they are not weather-related?

The Community and other donor institutions involved in a policy dialogue exercise with the Ethiopian Government have pressed and will continue to press for substantial improvements in the country's agricultural and food policy. The E.C.-Ethiopia policy dialogue is obviously a complex operation and bears on the implementation of the regular E.C. assistance program to Ethiopia under the third Lomé Convention, worth approximately \$290 million, earmarked mainly for the agricultural sector.

But, as far as the Community is concerned, there should be no question whatsoever of linking the emergency relief operation with the implementation of the E.C.'s regular development assistance program.

Famine relief is a humanitarian duty and knows no policy dialogue. This is why the E.C. emergency assistance program is going ahead full steam. ☾

Marc Pierini is an official of the directorate-general for development at the E.C. Commission in Brussels.



# SOVIET RELATIONS WITH EUROPE ARE CHANGING

## HOW MUCH IS NEW IN GORBACHEV'S WEST EUROPEAN POLICY?

ANGELA STENT

**"E**urope—our common house," has been a major theme in Mikhail Gorbachev's foreign policy since he became General Secretary of the Communist Party in March 1985. He has certainly created the impression of new dynamism in Soviet policy toward Western Europe, emphasizing the Soviet Union's roots in the Continent. West European public opinion polls generally give him a high rating, with the exception of France, where the population remains more skeptical. Just as Gorbachev seems to have upgraded Western Europe in Soviet priorities, most West Europeans evaluate his performance and future intentions with considerable interest and certainly more favorably than they did those of his predecessors.

But how much is really new in Gorbachev's West European policy? Has Soviet policy merely returned to the *status quo ante*, the weakness in the Kremlin that preceded Brezhnev's death and lasted until Gorbachev's accession? With the signing of an agreement on the elimination of intermediate-range nuclear missiles (INF) are we back to 1979? Or have there been qualitative changes in Soviet interests in Western Europe?

Some elements in Gorbachev's policy certainly are new. Probably the most visible is the INF agreement, which reflects a turnaround in Soviet behavior. After all, the Soviets walked out of the INF talks in December 1983, to protest the deployment of American Pershing II missiles in the Federal Republic of Germany and cruise missiles in a number of West European countries.

In 1987, Gorbachev accepted the INF "zero option" proposal, which the United States had previously made, involving the withdrawal of American missiles in ex-

Angela Stent, associate professor of government at Georgetown University, is writing a book on Soviet policy toward Western Europe.



Soviet leader Michael Gorbachev and his wife Raisa greet French President François Mitterrand in Moscow last July.

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change for the dismantling of Soviet missiles aimed at Western Europe. The Soviets have now agreed to verification procedures they had rejected earlier. When the agreement is implemented, the United States and the Soviet Union will be back to the position in which they were before the deployment of the SS-20s, although both sides have made technological advancements in weapons since then.

The Soviets changed their position at the INF talks because they appear to have been genuinely concerned about their vulnerability to the new American missiles. They also realized that an INF treaty was a prerequisite to agreements on strategic missiles and to a possible compromise with the United States about its Strategic Defense Initiative (SDI), with which they remain seriously preoccupied. Whatever other motivations were at play, Moscow has modified its previous policies by agreeing to this INF agreement.

The consequences of this treaty for Western Europe are, of course, a matter of lively debate. A number of European statesmen and politicians have privately expressed concern about an agreement

that involves a decoupling of their security from that of the United States and that leaves them vulnerable to Soviet conventional superiority. On the other hand, the Soviets have backed down from a number of previously held positions on this issue, one of the most significant being their leaving the French and British nuclear deterrents out of this agreement.

Before we can ultimately judge whether this treaty lessens the Soviet threat to Western Europe, we must await the outcome of the far more difficult talks on reduction in conventional forces. But these will depend to a large extent on developments in Soviet ties with Eastern Europe. After all, Soviet troops and military hardware in Eastern Europe are primarily there to ensure that Eastern Europe complies with Soviet policies and to deter popular unrest. Any meaningful conventional arms control and troop reduction agreement will involve asymmetrical reductions on the Soviet side and will only occur when the Soviets have decided that Gorbachev's "new thinking" in foreign policy extends to a more equal relationship with Eastern Europe and



more confidence in its population.

Another area in which Soviet policy under Gorbachev has changed is the relationship with the Federal Republic of Germany, the Soviet Union's major partner in Western Europe since the late 1960s. Since the heyday of détente under Chancellor Willy Brandt and General Secretary Leonid Brezhnev, relations have deteriorated considerably. They reached their lowest ebb under Yuri Andropov.

The only area in Soviet foreign policy that had real momentum was the policy toward the Federal Republic of Germany, designed (unsuccessfully) to prevent the election of Christian Democrat Helmut Kohl in 1983, and to punish his coalition government with the Free Democrats for agreeing to deploy American missiles. Under Andropov and later Konstantin Chernenko, West Germany was accused of object servility to the United States' *diktat* and of harboring a new revanchist nationalism, because of Kohl's support of various Expellee organizations with rather extravagant claims about recovering previously German territory ceded to the Soviet Union, Poland and Czechoslovakia after 1945.

The long planned visit to the Federal Republic by Erich Honecker, General Secretary of the German Democratic Republic's ruling party was postponed in 1984, under intense Soviet pressure, after remarkably open polemics between the two fraternal Warsaw Pact allies. The Soviet Union had obviously decided to isolate West Germany and turn to other West European partners.

After Gorbachev came to power, the tone of Soviet pronouncements on West Germany began to change, and the visit by Foreign Minister Hans-Dietrich Genscher to Moscow in July 1986 seemed to augur an improvement in relations. In the fall of 1986, however, a number of unfortunate comments by West German politicians, most notably Kohl's likening of Gorbachev to Nazi propaganda minister Joseph Goebbels, were seized upon by Moscow as a pretext to cancel various high-level visits.

Finally, after Kohl's re-election in 1987, and Foreign Minister Genscher's repeatedly favorable remarks about Gorbachev's program and the necessity for West Germany to do all it can to help him economically and politically, Soviet policy has become more conciliatory. It was, after all, Genscher who gave Czech leader Husak an "I like Gorby" button. President Richard von Weizsäcker's visit to Moscow marked the resumption of high-level meetings, and a visit by Gorbachev to Bonn is in the works.

The most notable change in Soviet

## E.C. LEADERS PRAISE U.S.-SOVIET INF TREATY

European Community leaders at a December 4-5, 1987, summit meeting in Copenhagen praised the U.S.-Soviet agreement to eliminate intermediate-range nuclear missiles in Europe, calling it a "milestone" that should give impetus to other arms control negotiations. The text of the summit declaration on East-West relations follows.

"The European Council welcomes the important aspects of an improvement in East-West relations and acknowledges that the forthcoming summit in Washington will mark a significant step forward in these relations.

The agreement on global elimination of United States and Soviet land-based intermediate-range nuclear missiles will be a milestone, eliminating for the first time an entire class of weapons. The Twelve hope that this agreement will enter into force soon.

They consider it essential that this achievement in nuclear arms control should give further impetus to substantive progress in the whole range of present and future bilateral U.S.-Soviet and multilateral negotiations on arms control and disarmament.

The Twelve will continue to seek through the European Conference on Security and Cooperation (CSCE) process more secure and more cooperative relations between the participating states. All the undertakings made in Helsinki and Madrid should be fully implemented.

Respect for human rights and freedoms is a prerequisite for confidence, understanding and cooperation. The Twelve are determined that the Vienna meeting should benefit all individuals in the 35 countries involved.

The Twelve wish to build upon the achievements of the Stockholm Conference on Disarmament in Europe and will contribute to the elaboration of a further set of confidence- and security-building measures. They will work resolutely towards a stable and secure balance of conventional forces in Europe at a lower level.

In all this, the Twelve will cooperate closely with other countries who share their ideals, values and objectives."

policy was in encouraging the improvement of inter-German relations. In September 1987, Honecker finally made his visit to West Germany, securing new economic and cultural agreements. From the Soviet point of view, the visit was a success. Far from presaging a new impulse for the reunification of Germany, it showed quite clearly that there were two German states with different systems and different interests. Moreover, in his desire to ensure a successful meeting, Chancellor Kohl was willing to offer a number of incentives, the most important of which was the timing of his announcement that he no longer objected to the U.S.-Soviet terms for the INF agreement on dismantling existing Pershing I missiles in Germany. He announced this change of position just before Honecker's visit.

Relations between the Soviet Union and the Federal Republic are still a long way from what they were under Helmut Schmidt and Brezhnev, but they are noticeably better than they were three years ago. Gorbachev and his colleagues have realized that the ruling coalition of Christian Democrats/Christian Social Democrats and Liberals will remain in

office into the 1990s, and have decided that there is much to be gained and little to be lost by reinvigorating the Soviet-West German dialogue on all fronts.

The third, and possibly most significant, change in Soviet policy from a West European point of view has been Gorbachev's willingness to deal with the European Community, an institution that was previously derided in the Soviet media as weak, doomed to fail, riddled with contradictions and under the thumb of the United States. Although Brezhnev recognized the reality of the E.C. in 1972, and there were various *de facto* dealings with the E.C. in the 1970s, the Soviet Union has only begun to talk seriously with the E.C. since Gorbachev's accession. It appears that the Kremlin has finally realized that, despite all its problems, the E.C. is a growing and vital association of diverse countries, whose weight will be increasingly felt in international economic and political affairs. The negotiations between the Council for Mutual Economic Assistance (Comecon) and the E.C., which has been limping along since 1975, have been revived and the prospects for an E.C.-Comecon agreement are good.

Continued on page 51.

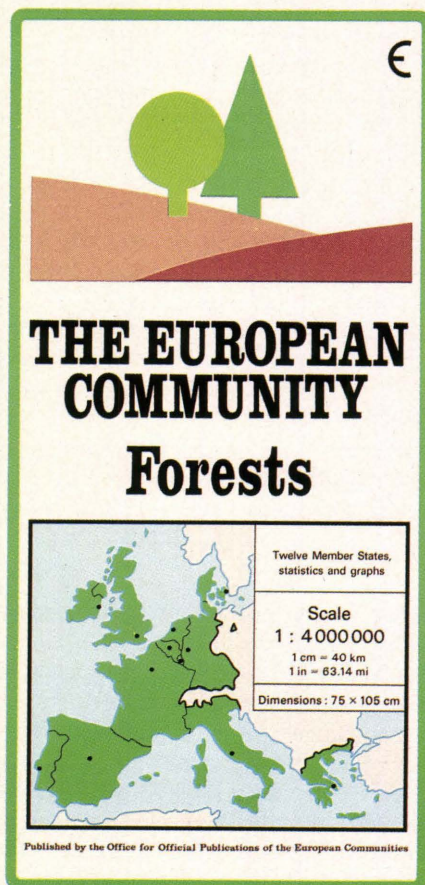


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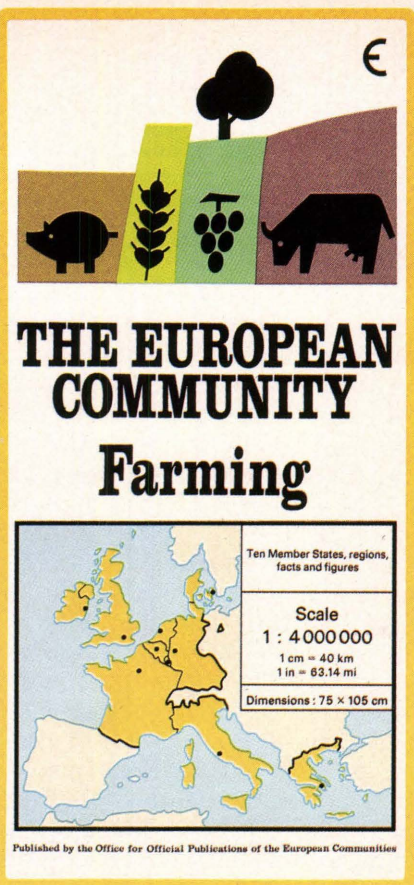
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# EFFORT UNDERWAY TO RELAUNCH E.C. STUDIES IN U.S.

ASSOCIATION FORMED BY SCHOLARS TO  
PROMOTE RESEARCH.

VERA ERDMANN-KEEFER

European integration has not been one of the hot topics at recent American academic conferences. After heyday of the trans-Atlantic partnership and since the enthusiasm for integration theory has calmed, American social scientists have been less attracted to research on the European Community. A small community of economists and political scientists, however, persist in their E.C. interests. In October, they gathered in Washington, D.C., with European colleagues for a workshop. Most of them stayed on for the Sixth International Conference of Europeanists that followed the workshop.

The first half of the conference, chaired by Glenda Rosenthal of Columbia University, was devoted to a 30-year perspective of U.S.-E.C. relations. Later, discussion among the 35 workshop participants centered on the "Technology Gap," although the consensus at the beginning apparently had been that such a gap does not exist.

Apart from giving an example of their interest in E.C. problems just by discussing them, the American scholars also sent another clear signal of the attempt to revive E.C. studies in the United States. They established the European Community Studies Association (ECSA) as a network to promote E.C. research and teaching in the United States. Roy Ginsberg, of Skidmore College, introduced the benefits of such a network for the American side, while a German scholar, Reinhardt Rummel from the Stiftung Wissenschaft und Politik, gave an overview of the European state of the art in E.C. research. He encouraged the Americans to develop ECSA into a counterpart of the Trans-European Policy Studies Association (TEPSA), a close network for academic cooperation in Europe. ECSA and TEPSA would then be able to collaborate on the exchange of academics and joint

research ventures.

The dialectic principle of American opinion vs. European opinion was applied throughout the workshop. Donald Puchala, of the University of South Carolina, reported "nothing new about the bad condition of E.C.-U.S. relations." But Mike Smith, from Coventry Polytechnic in the United Kingdom, set a counterbalance with his request for broader terms and a perspective longer than 30 years. The American scholar explained the close partnership between the Europeans and Americans as being based on three conditions: that Europe would become politically united, would be unilaterally allied

## EUROPEAN COMMUNITY STUDIES ASSOCIATION

On October 29, 1987, a group of 35 academics meeting in Washington, D.C., agreed to form a new national organization to promote E.C. studies in the United States. The organization, tentatively named the European Community Study Organization of the United States, elected a committee of six to frame a constitution to be submitted to a vote by the membership in March 1988.

The organization plans to publish a newsletter, to sponsor an annual conference, to organize panels at national conferences and to encourage links between Americans and Europeans working on the Community.

For more information on the new organization, contact: Roy Ginsberg, Skidmore; Leon Hurwitz, Cleveland State; Glenda Rosenthal, Columbia; Don Puchala, U. of South Carolina; Desmond Dinan, George Mason; or Pierre-Henri Laurent, Tufts.

with the United States and would be economically benign. When all three conditions were undermined, the relationship deteriorated into a "process of continual crisis management," a process Puchala believed to be irreversible. The conditions of the 1950s would not be restored, the heyday of E.C.-U.S. relations would not return, nor, in all likelihood, would the Europeans go forward and unite politically. Only continuous squabbling would remain.

While Mike Smith agreed with his American colleague on the irreversibility of E.C.-U.S. relations, he saw some aspects of these relations in a quite different light. To him, the Treaty of Rome establishing the E.C. is an end rather than a beginning, namely an end to the period of unlimited U.S. support for European unification. He denied that "things were all that happy" in the years following the signing of the treaty in 1957, and he put his emphasis on the structural changes of the international scene. The crucial relationships now are not E.C.-U.S. but rather bilateral links between the United States and Japan or the Federal Republic of Germany. An American-European partnership would be unrealistic in an international system of bipolarity, emerging blocks and insular nationalism.

The second part of the workshop, chaired by Elliot Zupnick, of Columbia University, revealed that although "Technology Gap" as a mere metaphor might be a vague or even outright wrong concept, it was an ideal term to incite a debate. Janice McCormick, of the Harvard Business School, saw "Technology Gap" as a mere metaphor for competition between nations while the actual problem was the competitiveness of single companies. This competitiveness could be enhanced through closer links with universities as well as through better marketing strategies and more creativity in schooling. Public policies had only a limited effect in facilitating competitiveness, for example through tax laws. E.C. research projects in particular were only to be considered useful to the extent that they produced common standards.

The European side, however, focused on these very common research projects. From a Brussels point of view, the problem was an "integration gap in technology" rather than a "technology gap" per se. The E.C. perspective is that it is the pooling of and cooperation in research and development that will lead to a more competitive Europe. However, Governments of E.C. member states have shown considerable resistance to financing



framework programs for research and development and have engaged in parallel efforts like "Eureka" (European Research Coordination Action). Obviously, European Governments and companies are willing to cooperate, but not necessarily within the E.C. framework.

In the back and forth between dim outlooks for Europe's future and defense of Europe's qualities, a point was made about cultural differences. While Europe could engage itself in the competitiveness race, it could also be the case that Europe might not want to become a continent of engineers. Maybe Europeans want to take their time and want to take the social limits of technological progress into consideration.

Columbia University's workshop on E.C.-U.S. relations has always been held in connection with the biennial International Conference of Europeanists in Washington, D.C., organized by the Council for European Studies. Now, after the establishment of ECSA, the workshop might develop an independent life of its own. During three days, participants in 36 panels, roundtables and workshops discussed such diverse topics as "Gender Relations at the Origin of the Welfare State," and the "Politics of Scandals in Liberal Democracies." Most panels either had a general theme that was then applied to various European countries or dealt with one country exclusively ("Changing Patterns of French Political Economy"). Only two panels took a more European approach: one on the recent enlargement and the other, under the heading "Europe Faces Out," on Europe's external relations.

The enlargement panel covered four consequences of the recent E.C. expansion to include Spain and Portugal. At least for some Basque fishermen, Spain's membership in the E.C. has meant only trouble. Since the enlargement, they have been engaged in a fierce struggle for their rights under the E.C.'s Common Fisheries Policy. Robert Clark from George Mason University took this case as counter-evidence to the concept of a "Europe of the peoples," where the process of integration actually supports minorities and weakens the power of the nation-state. The Spanish-French political cooperation of the last decade was introduced by Glen Macdonald, of the University of North Carolina, as a more positive by-product of the accession. He started from the thesis that member states and applicants tend to straighten out their private quarrels before the aspirant joins the club. If true for Spain and France, yet another test must be run for Ireland, the United Kingdom and, in a few

years, possibly for Greece and Turkey as well. Some internal conflicts might have been avoided, but the enlargement caused yet another battle in the long series of agricultural trade conflicts between the E.C. and the United States. In 1986, American farm lobby groups fought hard and successfully for their share of the Spanish and Portuguese feed grain and soybean markets.

Reinhardt Rummel tried to give an overall assessment of the consequences of the enlargement. In general, the process of expanding the E.C., while simultaneously working toward more intense integration, could possibly be stimulating. In reality, however, the result of the quick development from six to 12 in 13 years might rather be a "halfway union."

"Europe Faces Out," at the end of the Europeanists conference did indeed face out and introduced some new concepts. One was the fusion of integration theory with the rational actor model. For Dominique Morel from the University of Southern California, the elements of nationalism or self-interest and coordination or integration are both conflicting and complementary. "European Political Cooperation and the Middle East" served as

a testing ground for her new approach. Mike Smith, in cooperation with David Allen from Loughborough University, took the ideas he had put forward in the workshop even further. They made a plea for "getting away from squeezing everything into the E.C. framework" and spoke in favor of a "multifaceted" picture of Western Europe "that is not a bad thing, but a fact of life."

The British team suggested that the E.C. be thought of as "temporary." They want to employ the concept of a learning process that involves costs, but also could set free creativity, with its potential for change. Members of the audience argued against this conception of Europe and suggested that the E.C. is the only existing and valid framework and the focus of Western Europe's identity.

E.C. problems and U.S.-E.C. relations thus remain far from being clear and easy. For that very reason, they proved to be an interesting subject of academic discussion during four days of intense American-European exchange in Washington, D.C. €

Vera Erdmann-Keefer is writing her doctoral thesis at Tübingen University on "Agricultural Trade Conflicts Between the E.C. and the United States."

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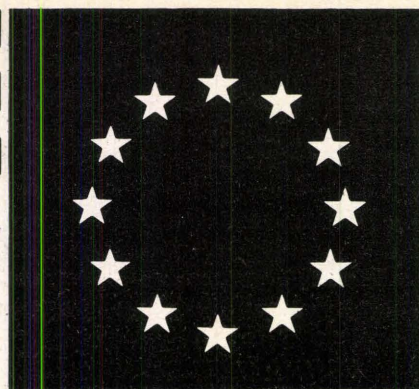
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# THE NETHERLANDS

THE DUTCH FACE  
DIFFICULT TIMES AS  
EFFORTS CONTINUE  
TO REDUCE THE  
BUDGET DEFICIT.

LAURA RAUN

**H**arsh realities are facing the Netherlands today. Its generous welfare state is still growing after four years of pruning and the government budget deficit is widening again after four years of austerity. Unemployment has not fallen below 14 percent since 1982 and economic growth is lagging behind Western Europe as it has for a decade. If this were not bad enough, a further fall in the dollar and slower world trade in the wake of the stock market crash are likely to dampen economic expansion even more.

But the Dutch are not despairing. By nature they are a stalwart people, battling the sea for centuries to protect their dyke-enclosed country from inundation. As traders from long ago they are also accustomed to the turbulent winds of world trade and foreign exchange. They are resolutely moving ahead with slow and sure moves to cut the huge budget deficit, rein in the welfare system and reduce unemployment. Virtually nothing will hasten their efforts and, it is hoped, nothing will hamper them.

"We will go on controlling government spending and bringing down the budget deficit, step by step, not exaggeratedly," Ruud Lubbers, the Prime Minister, explained in a recent interview. "Also working hard in a climate of zero inflation and keeping interest rates as low as possible—that's the policy mix in the Netherlands." Lubbers' center-right Government of Christian Democrats and Liberals can count some notable successes in its arguments for gradualism. The coalition entered office in November 1982 on a platform of slashing the looming budget deficit, rolling back the bloated public sector and shrinking high unemployment.

The Netherlands was not alone in this political swing to the right, of course. Nearly every country in the West was

experiencing more or less the same tilt toward conservatism. But in the Netherlands, things had gone farther than in most other countries. The budget deficit was (and still is) proportionately bigger than the much maligned U.S. deficit, the welfare state was more generous than virtually any other, and taxes and welfare premiums combined were nearly the highest in the world. Anarchistic squatters and flagrant drugs rounded out a picture of a society losing control.

Since entering office, the Lubbers Administration has trimmed the budget deficit to 7.6 percent of national income this year from 10.1 percent in 1983, while the public sector has declined to 65.5 percent of national income—still about two-thirds of the economy—from 69.4 percent. Job creation has outpaced that in most of Western Europe, although unemployment has not fallen because women and young people have flooded the labor market.

Now the cheap dollar and slower world trade are threatening to unravel much of the progress achieved so far. Dutch export growth—an engine for the economy—probably will drop more than the forecast decline to 3.75 percent in 1988 from 4.25 percent this year. Companies will have to live with slimmer profit margins to protect market share and wage moderation will be essential to maintain international competitiveness.

Before the market crash and drop in the dollar last autumn, consumer spending was officially predicted to slow to 1.75 percent in 1988 from 2.75 percent this year. Business investment was not ex-

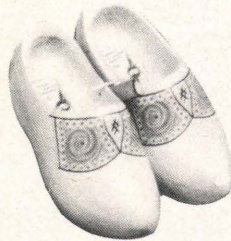
pected to rise at all, compared with a 4-percent increase in 1987. Both spending and investment could come under great pressure now.

Government revenue from natural gas is likely to dwindle as a result of the weaker dollar and could drop more if oil prices take another dive, which is increasingly possible. Welfare programs are running out of control because of open-ended schemes that dole out money to all who apply and meet the requirements, without a budgetary limit. Not surprisingly, ministry budgets, especially in education and housing, have consistently overrun their mark in recent years.

The result is an increasing chance that the central government's budget deficit will expand again next year after widening to 7.6 percent of national income this year from 6.4 percent in 1986. But Lubbers and his Cabinet admit that the options are limited. Deeper austerity measures to offset revenue shortfalls would risk even slower economic growth. More government spending would only increase state debt, which already will exceed gross domestic product by the turn of the century if no new spending cuts are imposed. That is according to the Finance Ministry's own figures.

Lubbers, who was educated as an economist and headed a metal works company before going into politics, firmly opposes more expansive economic policies. He says the Netherlands has less room to stimulate its economy than the Federal Republic of Germany because The Hague's deficit is fatter. A modest tax cut is planned for next year, as in Germany, but beyond that only lower interest rates will be used to weather the storm.

At the root of most problems plaguing the Netherlands today is an economy that is growing too sluggishly to finance an extensive welfare system, an aging population, a big bureaucracy and enough jobs for everyone. Economic output trailed behind nearly all 25 members of the Or-



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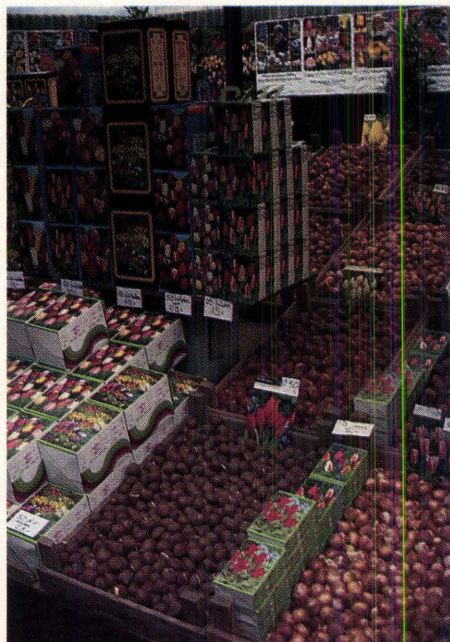




Since entering office, the Lubbers Administration has trimmed the budget deficit to 7.6 percent of national income in 1987 from 10.1 percent in 1983. Below: the Amstel River at Amsterdam. Bottom: tulips for sale at Amsterdam's Bloemenmarkt.

ganization for Economic Cooperation and Development (OECD) for the five years up to 1985, the latest date for which figures are available, and it is unlikely to have done much better in the past two years. GDP growth might accelerate slightly to 1.8 percent this year from 1.5 percent in 1987, but could slump to 0.5 percent next year.

Public debate rarely focuses on how to create more wealth for all to share in, but rather on how to divide up stagnant wealth. Dutchmen are relatively poorer today than in the past, ranking twelfth worldwide in per-capita GDP in 1985 (latest figures available) compared with eighth in 1980. All the major political parties generally agree on the need to continue austerity, with the Christian Democratic-Liberal coalition aiming to cut the budget deficit to 5.25 percent of national income by 1990. Even the oppo-



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sition Labor Party, the largest opposition party, concedes that public finances must be put in order.

Political parties in the Netherlands generally tend to be a homogenous lot, but politicians admit that there has rarely been more uniformity of opinion. The Christian Democrats, senior partners in the governing coalition, have quietly adopted policies from their junior partners, the Liberals, namely tax cuts and combatting crime. The Labor Party, the largest of the opposition parties, also agrees that runaway public spending must be brought under control. More startling are Labor Party moves toward greater flexibility in labor market practices and a tacit acceptance of nuclear weapons.

Paradoxically, it is the middle-of-the-road Christian Democrats who have led the call for the Dutch to drop two of their



four nuclear (?)takss(?) in the North Atlantic Treaty Organization (NATO) after the intermediate-range nuclear missile (INF) treaty is ratified. The Christian Democrats, whose rump faction joined the Socialists in opposing INF missiles, now want to scrap the nuclear bombs carried by F-16 fighter jets and nuclear depth charges carried by Orion patrol aircraft. That debate is to be resolved sometime in 1988.

As far as the economy is concerned, however, the most fundamental question facing the Dutch is how large the welfare state should be. Most agree that it should be smaller than it is now, but the exact size is a deeply divisive issue. Transfer payments to individuals and companies account for one-third of all national income with the middle class benefitting from subsidized theater tickets just as much as the poor do from unemployment bonuses to go on vacation.

Open-ended schemes, where expenditures are uncontrollable, make up one-third of all government spending. With one in six workers employed by the state, however, rolling back the public sector is not easy. Bert de Vries, parliamentary whip of the Christian Democrats, has urged that the welfare state be maintained at 60 percent of national income or more, which would still leave a much bigger public sector than in neighboring countries. But fellow Christian Democrats, including the Prime Minister, have shown little support for the so-called "Bert norm" while the right-of-center Liberals have rejected it outright.

Joris Voorhoeve, parliamentary whip for the Liberals, argues that the state

bureaucracy should be pared down to a size in line with trading partners such as the Federal Republic of Germany. That would be around 50 percent of national income and notably below current levels. Lubbers believes that the key to the future is to replace the "caretaker state" with a "caring society," in which family, friends and neighbors would provide the services now rendered by the state. As the government has mushroomed, individuals have shunted many of their responsibilities onto the overburdened state, he contends, contributing to an air of excessive permissiveness. "There is a feeling in the Netherlands that we are paying the price for permissiveness, especially in the area of crime," Lubbers observes. "Now there is an attempt to combine the advantages of individualism . . . with a little more social control."

Despite the serious threats to their economy, the Dutch still can boast a relatively comfortable and orderly life. Overall crime rates are lower than in most Western countries despite the rise in petty offenses. Divorce and infant mortality are below Western levels. The housing stock is handsome and well maintained and the public infrastructure is modern and efficient.

Long known for their tolerance, however, the Dutch are now drawing a line at excessive tolerance. A sign of the times is the recent crackdown by law enforcement authorities on Amsterdam's long flourishing "coffee shops" purveying marijuana and hashish. By officially tolerating what is legally forbidden, police and judges have fostered the notion that anything goes. Now many Dutchmen would

prefer to see practice brought into line with the law.

At the same time, the Dutch realize that their economy must be strengthened, public finances must be cleaned up and a bloated welfare state must be shrunk. They also recognize fresh threats to their efforts from the dollar's precipitous fall and the turmoil on the financial markets.

But they will press on with the medicine they have been taking for the past few years—no more, no less. If the illness gets worse they will worry about it then.

Laura Raun reports from Amsterdam for the *Financial Times*.

**The Dutch still boast a relatively comfortable life. From left: Gouda cheese market, Marken in northern Holland, Prime Minister Ruud Lubbers.**



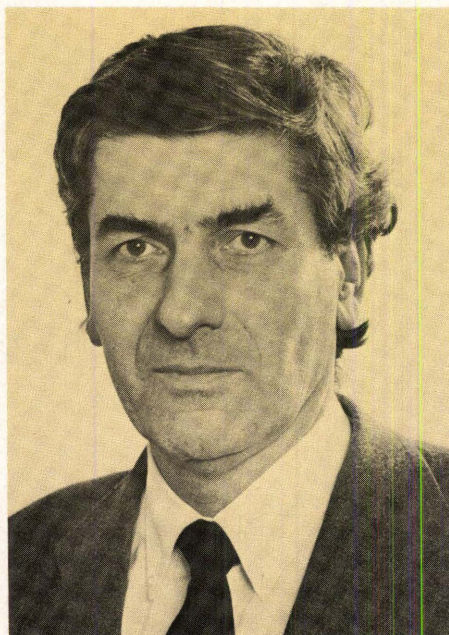


# THE DUTCH ARE TRYING TO REDUCE GOVERNMENT SPENDING

No Dutch politician in 30 years has rivaled Ruud Lubbers, the Prime Minister, in popularity and respect. He is well into his second term at the helm of a center-right Government and has lost none of his personal charisma or political clout. An energetic 48 years old, he can single-handedly bring the whole Cabinet around to his way of thinking and persuade most of Parliament of the soundness of his coalition's policies. His style is sober and his approach plodding, but that is precisely what Dutchmen want.

"We have to continue our policy of bringing down government spending in

AN INTERVIEW  
WITH  
RUUD LUBBERS,  
THE ENORMOUSLY  
POPULAR  
PRIME MINISTER.



COURTESY ROYAL NETHERLANDS EMBASSY

this country, year after year," the Christian Democratic Premier explained during a recent interview. "We are doing it step by step and it will go on for quite a few years."

What makes Lubbers so popular and respected is his sobriety, modesty, diligence and not least of all his shrewdness. Because Dutch society is so firmly rooted in equality and consensus, leaders must avoid obvious shows of ambition and brilliance while possessing enough of these attributes to succeed.

Lubbers achieves this sleight of hand masterfully: He acts like a burgher and thinks like a Premier. He eschews bodyguards, striding daily through the courtyard of the 13th-Century parliamentary complex in The Hague without the phalanx accompanying most world leaders. Instead of living in the "Catshuis," the official residence in The Hague, Lubbers has remained in his Rotterdam home, protected only by local police.

The tall and lean Minister-President works from early morning until late at night, lunches on nothing but a *broodje* (sandwich) and goes to church on Sunday. His office is a small octagon room tucked into a corner of a medieval tower in the Binnenhof, the parliamentary complex. A Roman Catholic by faith, Lubbers nevertheless displays all the Calvinistic virtues necessary for success in Holland.

"I am convinced that if we stick to our policies, the [government budget] deficit in the Netherlands will go down by something like one percentage point a year," he says confidently. "Perhaps that's not dramatic, but we will do it step by step, even with economic growth of between 2 percent and 3 percent."

The problem, however, is that economic growth in the Netherlands has not reached 3 percent since 1976 and could slow to as little as 0.5 percent next year. The historically low dollar and repercussions of October's stock market crash are

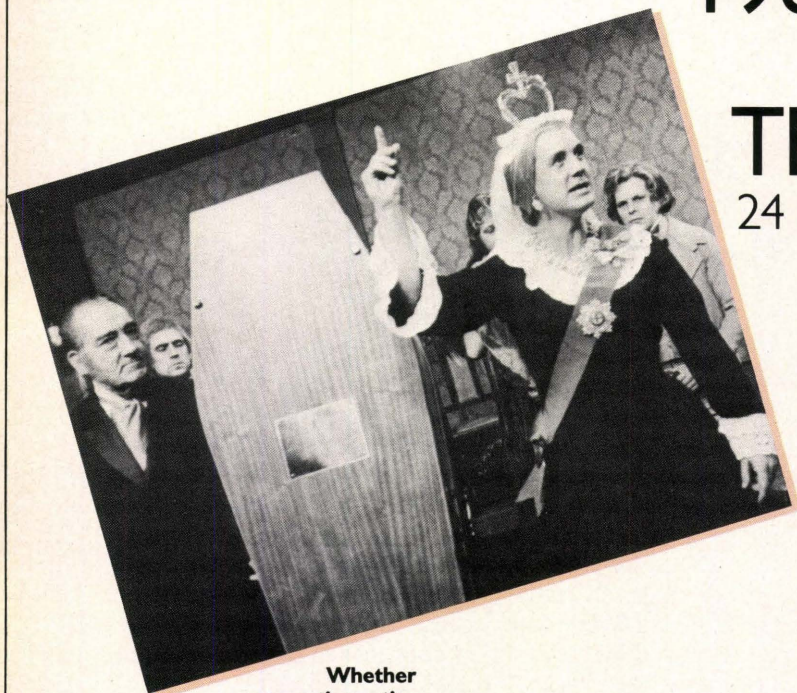
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# 1988 IS EUROPEAN CINEMA AND TELEVISION YEAR

24 COUNTRIES JOIN FORCES TO PROMOTE THE INDUSTRY.



Whether presenting satire (above, Monty Python's silly Queen Victoria) or serious drama, BBC-TV sets standards for excellence. Below: Frank Bough and Selina Scott of BBC-I's *Breakfast Time*.



ROBERT JARRETT

**T**he birth of the cinema dates back 100 years. It was invented in France, most people accept—though others claim they were there first. One thing is sure: the art was invented in Europe. Television was invented in Europe, too, in Germany and Britain, 50 years ago. And where are we today?

The number of films produced in the last years has continued to decline in the Federal Republic of Germany, the United Kingdom and France, as throughout Europe. In Italy, with one of Europe's healthiest cinema industries, 53 percent of films shown are American, 31 percent Italian and 16 percent "other," including the rest of Europe. Box-office figures show that American films are more popular than European films, both in America and in Europe.



But it is not just American films that fill European screens. Today, Europeans are beginning to see films and television series from Japan, Australia and Brazil. And tomorrow from where else? But what is wrong with that, you may ask? Nothing is wrong with American and other foreign films being shown in Europe, as long as there is a certain balance. Indeed, European culture can only be enriched by such an exchange, provided the traffic flows both ways.

We often hear that Hollywood can sell its films and series worldwide, because it has the advantage of the huge, affluent, one-language U.S. market. But that is not true of the Japanese, the Australians and the Brazilians. If they can produce and market their productions throughout the world, why can't we Europeans do the same?

Are we to accept that film production, whether for cinema or for television, is just another declining, uncompetitive industry in Europe? Surely not! And particularly not at this moment in time, with an expanding market, as satellite, cable and deregulation bring more television channels, and people generally have more leisure time available. The demand for additional programming will be great, and a reasonable proportion of that programming must be "Made in Europe."

Film and television production in Europe is a sector of economic activity important for jobs, and for exports; and it will become more important over the coming years. That expanding activity must benefit Europe and its citizens and workers. But film and television production is not just an economic activity. Far from it. It is a vitally important part of our culture, an art form in itself, and today the principal vehicle for transmitting our cultural values, especially to the young.

Europe remains outstanding in the production of films that clearly demonstrate the richness and diversity of our cultural heritage—and we must never let this tradition die. Yet we have largely failed to build on that basis. We must regain the capacity to make films—quality films—that will attract the widest audiences. For the health of the film industry and the maintenance of our cultural values require both: a cinema that brings them to the greatest number of viewers.

Film and television provide Europe's visiting card around the world, too, which is essential to the promotion of Europe both culturally and commercially. The

rest of the world is not just a rival—it is also a huge market for good films, and as in Europe, that market is expanding as television channels multiply. If we can gain a major place in that market, we get increased sales revenue for the industry; but beyond that, the projection of European values—cultural, social, political—through these films must bring us both commercial and intangible benefits in the widest sense.

So far, Europe has done little to face up to these challenges. And that can go for political decision-makers and professionals within the industry as well as for the general public. As in other sectors of



ble for cultural matters, by agreement of the Ministers of Culture of 24 West European countries, ECTVY-88 brings together representatives of all branches of cinema and television from Iceland to Turkey and from Finland to Portugal, together with the institutions of the Council of Europe and the European Community. There is a national committee for ECTVY-88 in each country, and a European Committee chaired by Simone Veil, a member of the European Parliament and former president of that body.

Each national committee will have its own program of activities. Over and above that, there is a European program, comprising cinema and television events and activities for the general public and others bringing together representatives of the industry with governments and E.C. institutions to prepare the basis of future cooperation.

Major events will include an important European Film Prize to be awarded in November in Berlin, a "European Cinema Day" in June, a ship-borne film festival that will visit ports along the Mediterranean, Atlantic and North Sea coasts, events at major existing film festivals and a variety of special television programs.

A series of six key research projects and symposia will lead to a set of recommendations to governments and E.C. institutions, concerning the future development of cinema and television.

It is planned to launch at the end of ECTVY-88, following a detailed feasibility study for some form of permanent institutions, a sort of European "Academy of Cinema and Television," whose tasks could include organizing the European Film Prize in future years.

ECTVY-88 is closely coordinated with the E.C. Commission MEDIA program. While ECTVY-88 seeks to raise awareness generally, MEDIA comprises a number of research projects and pilot schemes on specific and practical aspects of cinema and television production, distribution and finance. Its two-year preparatory phase ends during 1988; the implementation phase will begin during ECTVY-88.

European Cinema and Television Year 88 will, by its very nature, come to an end. But it aims to create a awareness of the importance of cinema and television that will last, as well as certain ongoing structures. To be successful, it has to be not an end, but a beginning. €

Robert Jarrett is assistant secretary-general of ECTVY-88.

activity, we have tended to rest on our laurels and be overtaken.

No one pretends that the solutions are easily found. Certainly not. But they have to be found urgently. Most agree that they cannot be found in cinema alone, or in television alone, or in any one country alone. Cooperation is not only becoming, belatedly, fashionable, it is also a necessity. Cooperation between cinema and television is now growing, but there are still areas where they glower suspiciously at each other. And cooperation across national and linguistic borders is slowly developing too. Nevertheless, old and insular habits take time to die.

European Cinema and Television Year 1988—ECTVY-88—seeks by its program of activities to highlight the possibilities, the challenges, the risks, the dangers. It will not, in so short a time, find the solutions, but seeks to create a broader awareness of the possibilities and an atmosphere of opinion more conducive to joint action.

Created, on the initiative of Carlo Ripa Di Meana, E.C. Commissioner responsi-





European air travellers can expect lower airfares following recent European Community moves to break up airline cartels and open up competition for routes. The new agreement took several years to reach.

# NEWS OF THE E.C.

## INDUSTRY

### EUROPE SET FOR LOWER AIRFARES

The European Community agreed on December 7 to allow cheaper airfares in Europe, currently among the highest in the world. "Immediately, ordinary people will begin to get a squarer deal than they had before," Community Transport Commissioner Stanley Clinton Davis said after the E.C.'s Transport Ministers approved the package in Brussels.

British Transport Minister Paul Channon said he did not

expect fares to be cut as soon as the treaty took effect on January 1, as airlines would still be applying winter schedules and tariffs. But he added, "I think there could be a noticeable change in prices by next summer." Channon called the agreement a milestone for the Community's heavily regulated air sector. "No longer will two airlines be able to operate a cosy cartel and monopolize a route," he told journalists.

The Community's executive Commission has been fighting to break up such cartels, which are widely blamed for inflating Europe's air fares. The current deal will reduce governments' powers to restrict competition between scheduled airlines, giving carriers greater freedom to fix prices independently and expand their business on routes shared with rivals.

Governments will be obliged to let airlines offer discount fares as low as 45 percent of the standard economy tariff, although such discounts would still be tied to a number of con-

ditions. The deal will also allow smaller airlines to compete with established carriers on the busiest routes and open up new services between major and regional airports in most countries.

Clinton Davis and Commissioner Peter Sutherland, who is responsible for competition policy in the E.C., said the deal was only a first step toward much greater competition between airlines in the future. "It will not bring miracles," Sutherland cautioned.

Details of the package formally approved on December 7 had been agreed in principle by the Ministers last June after almost three years of tough bargaining. A dispute between Britain and Spain over the airport at Gibraltar, the British colony which is claimed by Madrid and sits off the tip of the Iberian peninsula, had prevented it from going into effect. That dispute was settled in early December.

The 21-member Association of European Airlines (AEA) said

in a statement that its members would waste no time in making use of the new freedom. AEA Secretary-General Karl-Heinz Neumeister told Reuters he was certain airlines would offer new or cheaper promotional fares by April 1, when summer schedules come into effect.—

*Reuters*

### EUROTUNNEL SHARES START SLOW ON LONDON MARKET

Shares in Eurotunnel, the Anglo-French consortium building an undersea rail link between Britain and France, plunged on December 10 when dealing in them began on the London Stock Exchange. The fully paid stock, issued in Britain at 3.50 pounds sterling (\$6.30), opened at 2.84 pounds (\$5.11) and dropped to 2.48 pounds (\$4.46) within thirty minutes, but firmed later in the morning to 2.57 pounds (\$4.62).



Market analysts said the price of the issue was expected to stabilize at around 2.50 pounds. They said banks backing the construction of the 31-mile rail tunnel under the English Channel by 1993 viewed the equity issue as a gauge of public confidence in the project. The tunnel is being financed largely through a five billion pound (\$9 billion) loan from 198 international banks.

Eurotunnel's 750 million pound (\$1.35 billion) share issue was 20 percent undersubscribed by British investors when applications for 101 million units each of a French and a British share closed in Britain and France on November 27. Analysts said private investors were likely to hold on to their shares because many bought them for promised cross-Channel travel perks. They said the stock could recover within six months to a year if investors were stimulated by favorable publicity on construction progress.

"But the near-term question is: Who wants to buy the shares?" one broker asked. "The institutions already have all they want." More than half of the British share applications came from institutional investors. The consortium has started preliminary work on the tunnel. The link will cut the train journey between Paris and London from seven to three hours.—*Reuters*

## MERGER CONTROL PLAN WINS QUALIFIED INDUSTRY BACKING

Controversial proposals for making big company mergers within the European Community subject to permission from the bloc's Brussels headquarters won conditional approval from European industry on November 20. The Union of Industrial and Employers' Confederations of Europe (UNICE) said it favored a regulation that would ensure E.C. competition rules were observed when European-scale mergers took

place, as the E.C. Commission has proposed. UNICE added, however, that the regulation must allow firms to choose whether they want the Brussels executive to examine takeovers before or after they occur.

UNICE's demand conflicts with Commission proposals for an E.C.-wide system of merger controls that would give Brussels new powers to block anti-competitive linkups before they take place. At the moment, the Commission can act only after a merger has gone through—a system it says creates uncertainties for companies wanting to join forces.

The Commission's proposals, however, have made little headway since they were first put forward 14 years ago. E.C. Competition Commissioner Peter Sutherland, frustrated at the lack of progress, has now given E.C. Governments until November 30 to agree to the principle of a Community code of prior merger controls. He plans to challenge anti-competitive takeovers more aggressively in the courts if E.C. member states refuse to give the plan unanimous support. Diplomats said Britain and France were most reluctant to go along with the idea.

Sutherland argues that existing national controls on mergers have become inadequate for dealing with linkups between major international companies, and that the Community needs a uniform strategy.—*Reuters*



Peter Sutherland, the E.C. Commissioner responsible for competition policy in Europe.



E.C. Commissioner Carlo Ripa di Meana recently presented the first Epica Award.

## COMMISSION PRESENTS ADVERTISING AWARD

E.C. Commissioner Carlo Ripa di Meana, who is responsible for the Community's information and communications, presented the first Epica Award in early December to Le Creative Business, a French company, for its pan-European Louis Vuitton advertising campaign.

The Epica Awards were created in 1987 to encourage and promote higher standards of creativity in European advertising. The awards are open to all advertising agencies operating in Europe and to all television, cinema, press and poster campaigns, national and international. The Epica Awards are sponsored by J.C. Decaux, and organized by the Association pour la Promotion de la Créativité Européenne (APCE) in Paris.

Speaking at the award ceremony, Ripa di Meana said, "The Epica Awards are important because they are awards selected by the trade magazines of Europe. They are awards given to professionals from professionals. They are given to both film and print media. They symbolize the maturity of advertising in Europe.

"We need to exercise this maturity even further. The Commission is in the process of creating the big market in 1992, and advertisers, agencies and trade magazines alike have

an important role to play in communicating to our citizens the importance of creating the big market. There are advantages for everybody in a Europe which is truly free of frontiers, and the advertising industry has been among the first economic sectors to realize this."

## EXTERNAL TRADE

## JAPAN, E.C. PROPOSE PATENT PROTECTION

Japan and the European Community submitted proposals on November 23 to the General Agreement on Tariffs and Trade (GATT) for protecting patents, copyrights and trademark rights, GATT delegates said. They presented their proposals to a closed-door session of a special GATT negotiating group set up under the Uruguay Round to agree international standards to deter piracy. The International Chamber of Commerce in Paris has estimated that abuse of such "intellectual property rights" amounts to \$60 billion a year.

The Japanese and E.C. proposals cover rights to patents, trademarks, designs, copyright and semiconductor integrated circuit outlays. Tokyo's plan suggests patents apply for at least 15 years, while protection of literary, scientific, artistic or musical works last the life of the author plus 50 years.

In the case of semiconductor integrated circuit layout rights, Japan said protection should be at least 10 years from the date of registration, which should be completed within two years from the first commercial exploitation. "Sufficient sanctions should be imposed on an infringer of intellectual property rights," the Japanese plan said. A country should not take unilateral action against an infringer, but take its case to a GATT dispute-settling mechanism, Tokyo's proposal said. The United States, in a sweeping proposal on intellectual



property rights made on October 28, recommended that if a violating nation failed to comply with the recommendations of a GATT dispute panel, the offended nation could retaliate.

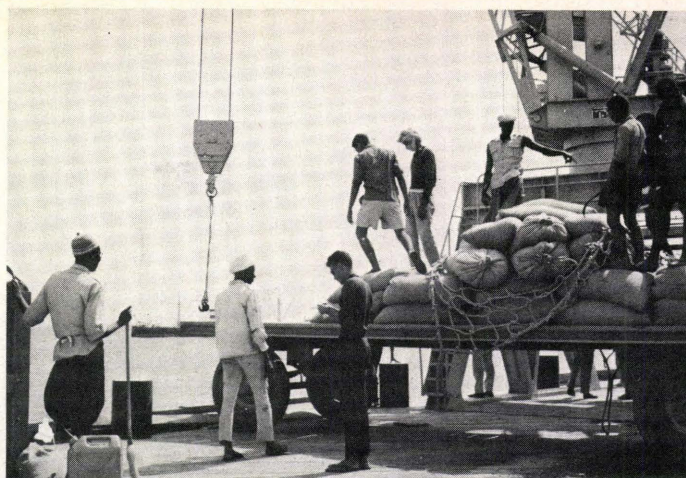
The European Community's proposal, described as an "initial contribution," stops short of recommending standards or duration times for each area of intellectual property under protection. "It is essential that intellectual property rights should be protected everywhere, not only internally but also at the border. A mechanism at the border is therefore necessary side-by-side or in conjunction with internal procedures," the E.C. paper said.—*Reuters*

## E.C. ADOPTS GSP PLAN

The E.C. Council of Ministers adopted on November 17 the Community's Generalized System of Preferences (GSP) for 1988. The GSP will cover exports valued at some 24 billion ECU (about \$27 billion) from developing countries, and represents a reduction of about 900 million ECU in the form of customs duties. This preferential access to Community markets granted to developing countries is in addition to that granted in the framework of the Lomé Convention to the 66 member African, Caribbean and Pacific (ACP) countries.

The GSP accords access to all the products manufactured in the developing world which do not benefit from preferences on a contractual basis, including sensitive sectors like textiles, shoes, steel and petrochemical products which are excluded, entirely or in part, by other countries granting preferential tariffs. In the agricultural sector, the Community is granting reductions on all import duties for close to 400 products, including canned pineapple, coffee, raw tobacco and palm and coconut oil, which have a particular importance for developing countries.

The E.C. considers preferential access to its markets to be an essential element in its



The Community's Generalized System of Preferences for 1988 gives developing countries preferential access to European markets, especially for agricultural products.

development strategy for the world, particularly at a moment when the developing countries are especially affected by the weight of an enormous exterior debt, the drop in raw materials prices and the lessening of their advantage in the cost of labor.

## E.C. SEES POSSIBLE 1988 TIES WITH COMECON

The European Community hopes to establish formal ties with the Communist trading bloc Comecon in the first half of 1988 if their dispute over Berlin's status can be resolved, a member of the E.C. Commission said in late November. The E.C. and the 10-state Council of Mutual Economic Assistance, led by the Soviet Union, have held talks over the last two years to establish relations, but are stuck over Moscow's refusal to recognize West Berlin as part of the Community.

Willy De Clercq, the Commissioner responsible for the E.C.'s external relations and trade policy, told a news briefing, "Our discussions with Comecon on signing a joint declaration may be complete in the first half of next year. There are still some small problems to settle," he added. Asked whether Berlin was the main stumbling block, De Clercq replied, "Yes, that's the major difficulty." Under the 1957 Treaty of Rome, all accords signed by the European Community must contain a territorial clause stipulating

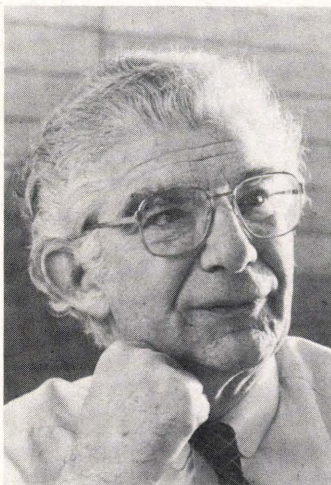
that West Berlin is an integral part of the Community.

On October 28, Soviet Deputy Trade Minister Vladislav Malkevich spoke with De Clercq in Brussels, the first visit by a Soviet Minister to the E.C. Commission, which handles the day-to-day administration of the Community. Comecon groups the Soviet Union and its six Warsaw Pact allies—Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland and Romania—as well as Mongolia, Vietnam and Cuba.—*Reuters*

## SOCIAL ISSUES

### HEALTH RESEARCH PROGRAM LAUNCHED

European Community Health Ministers approved on Novem-



Willy De Clercq, the Commissioner responsible for Europe's external trade policy.

ber 17 a major new five-year Medical and Health Research Program, half of which will focus on the key problems of Acquired Immune Deficiency Syndrome (AIDS) and cancer.

As of September, the number of cases of AIDS in the Community stands at 7,762 and continues to double every nine months. While the Commission first warned of the dangers of AIDS in 1983 and began the first epidemiological studies in 1984, solutions to the problem "appear to be becoming more difficult as time passes," it noted in a recent statement.

The new program on cancer will allow the work done in Europe to be coordinated on a broad front, including research training, clinical treatment research, early detection and diagnosis, drug development and fundamental research. One of the program's first initiatives will be to establish 50 new post-doctoral research fellowships in the Community.

The program, which will receive total funding of some 65 million ECU (about \$72 million), is the fourth in a series that was launched in 1978. The first of these brought together 100 national teams in three joint research projects; the current program will involve up to 3,000 national teams in 70 different projects, and will allow the Commission for the first time to organize and run a program for medical and health research in Europe that will have real significance. About 25 percent of the health research carried out in Europe will be coordinated to some degree through the new program, making it a particularly cost-effective exercise for the Community.

Aside from the financial savings, there are medical advantages to be gained from coordinating research in this way, the Commission believes. The program should lead to research based on a much larger sample of patients than would be possible at a purely national level, increasing the statistical significance of research findings. It also allows research methodologies to be harmonized so that



results may be compared directly. Coordination also leads to benefits in health care being produced more quickly because of the wide dissemination of information and results, and by making knowledge of developments in medical technology more widely available.

## NEW YOUTH TRAINING PROGRAM ANNOUNCED

The E.C. adopted in December a new five-year program aimed at diversifying vocational training and improving its ability to adapt to technological and social change. The Commission said it will also explore ways to add a Community dimension to vocational training, especially in the context of preparing for the internal market in 1992.

The program is the Commission's direct response to the mandate given to it in 1985, when the European Council invited the Commission and the E.C. member states to follow up concretely the measures proposed in the Adonino Committee Report on a "People's Europe," which underlined the importance of youth policy for the Community.

The new program includes a number of specific priority themes, including:

- The importance of links and partnership between education and training systems, and between public, private and voluntary sector bodies working in these fields;
- The need to ensure that vocational education, training and guidance systems lead young people to obtain recognized vocation qualifications, e.g. through credit accumulation and transfer systems;
- The need to improve and coordinate existing systems for providing young people with guidance;
- The need to promote equality of opportunity for girls and young women;
- The needs of disadvantaged young people, particularly those who leave full-time compulsory education with few skills;

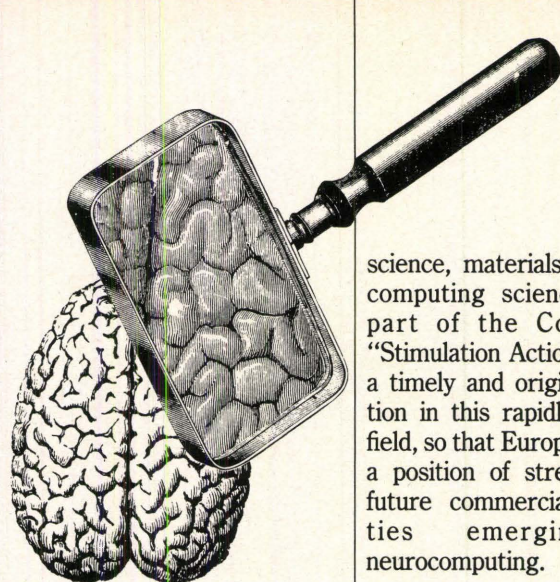
- The need to encourage creativity, enterprise and initiative among young people, particularly to foster the growth of small and medium-sized firms.

The Commission will be adding a Community dimension to national vocational training policies by launching a European Network of Training Initiatives to link up national and regional projects, offering grants to assist innovative projects, supporting exchange of vocational training specialists, and offering technical assistance grants, among others.

## SCIENCE AND TECHNOLOGY

### NEURO-COMPUTING RESEARCH PROGRAM LAUNCHED

The Commission announced in November that it had chosen the first six research projects in a program known as BRAIN, or Basic Research in Adaptive Intelligence and Neurocomputing. The projects were chosen following recommendations from Europe's leading experts in the field, brought together in the Committee for the European Development of Science and Technology (CODEST), the body which advises the Commission on new trends in science. The projects have been allocated a total of some 990,000 European Cur-



rency Units (ECU), or about \$1.09 million.

The purpose of the BRAIN initiative is to support research collaboration aimed at a better understanding of how the brain works, and the design of machines capable of task-oriented problem solving. This implies finding ways to handle enormous and simultaneous information-processing capacity (which computers are beginning to possess) and to find ways of developing systems which are capable of active reasoning and learning from experience, like the human brain.

Neurocomputing is a form of artificial intelligence which uses computers with "neural architectures," internal structures designed to simulate the nervous system. It is a multidisciplinary field in which neurobiology joins forces with cognitive psychology, information

science, materials science and computing science. BRAIN is part of the Community's "Stimulation Action" to ensure a timely and original contribution in this rapidly developing field, so that Europe starts from a position of strength in any future commercial opportunities emerging from neurocomputing.

## EUROPEAN POLITICS

### E.C. OPENS CONTACTS WITH TURKEY

The European Community Commission opened contacts with Turkey on December 8, following Ankara's application last April for full E.C. membership. A two-man team headed by Jean-Joseph Schwed, head of the Commission's North Mediterranean division, met businessmen in Istanbul before talks with officials in Ankara. Commission sources said the three-day talks, the first since Turkey's application, would be largely technical to help prepare a report for the Commission.

Turkey's Prime Minister Turgut Ozal, returned to power in a general election on November 29, has made E.C. entry the top foreign policy goal of his new term. Turkey's application met with a poor response from some E.C. member states who were sceptical about its progress to full democracy after three military coups since 1960, and its record on human rights. Some E.C. states also believe that Turkey, predominantly Moslem and straddling Asia and Europe, is not European. Ankara signed an association agreement with the European Community in 1963.—Reuters



The Community recently adopted a new five-year youth vocational training plan designed to fight unemployment in Europe.





**Heads of State and Government of the 12 E.C. member states met in Brussels in early December for talks on key political and economic issues.**

## **E.C. SUMMIT HAILS U.S.- SOVIET AGREEMENT**

European Community leaders at a December 4-5 summit meeting in Copenhagen praised the U.S.-Soviet agreement to eliminate intermediate-range nuclear missiles in Europe, calling it a "milestone" that should give impetus to other arms control negotiations. The 12 Heads of State and Government also issued joint declarations on the Middle East and the war in Afghanistan. They did not, however, reach agreement on a package of E.C. financial reforms, including proposals to trim spending on agriculture. They will resume discussions on those issues at an emergency summit meeting on February 11-12 in Brussels.

In its declaration on East-West relations, the E.C. Council said that it considered the U.S.-Soviet agreement to be essential in giving further impetus to "substantive progress in the whole range of present and future bilateral U.S.-Soviet and multilateral negotiations on arms control and disarmament." The leaders also said they would "continue to seek

through the European Conference on Security and Cooperation (CSCE) process more secure and more cooperative relations between the participating states."

In their declaration on the Middle East, the 12 said they deplored the continuing absence of resolution of the crises in the region. They also expressed their "profound concern about the continuation of the war between Iran and Iraq" and reiterated their "firm and whole-hearted support for Security Council Resolution 598 as the means to bring an end to this armed conflict... Continued noncompliance with this mandatory resolution is not acceptable to the world community and the appropriate action should now be taken to enforce its implementation by means of a follow-up resolution."

In the declaration on Afghanistan, the 12 noted that they "pay tribute to the Afghan people's spirit of independence," and acknowledged the courage of the people of Pakistan, "which has suffered so much as a result of this conflict." They noted that the Soviet leaders have announced their intention to find a political solution in Afghanistan, and said they believed that there should

now be an urgent impetus in the peace negotiations. They called on the Soviet Union to withdraw all its troops by a date in 1988 according to a fixed timetable; to agree to the establishment of a transitional government, whose independence could not be contested, to make preparations for a new constitution and a genuine act of self-determination; and recognize that the participation of the Afghan resistance is essential to a comprehensive political settlement."

## **EUROPE'S WINEMAKERS LOOK TO ASIA FOR NEW MARKETS**

European winemakers, facing lower domestic consumption, are looking hard at Japan and Southeast Asia for new markets in the 1990s amid signs that the region is awakening to their products, traders and industry analysts say.

"Southeast Asia is a region where wine consumption is emerging very fast, and anticipation of future developments there is essential," Yves Benard, chairman of France's

leading champagne exporters, Moët et Chandon, told a symposium held in Paris early in December on wine trade prospects. At the meeting, trade analysts, producers and merchants predicted major changes in the world wine trade in coming years.

According to a study by the French independent forecasting body BIPE, people around the world by the end of the 1990s will drink less wine, and less often, concentrating on quality vintages at the expense of ordinary table wines. BIPE, which has surveyed the world's 12 major wine-consuming countries, also said West European countries would remain predominant both in terms of production and consumption. Their share of the world market in both fields would decline, however, as other countries discovered the pleasures of wine tasting, BIPE's Christian Duchemin said.

Japan and Hong Kong seem to be the fastest-growing markets, although wine-drinking in both is still fairly small. BIPE said wine consumption in Japan was just 0.75 liters per capita in 1984. It was 55.4 liters in Italy, the leading consumer nation, and 8.8 liters in the United States. Japan's consumption,





however, will more than double by 1992 and analysts expect the high-quality market there to boom in the next decade. "Japan and also Hong Kong have ceased to be secondary

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targets for us," said David Mommessin of Mommessin SA, a leading merchant and producer of Burgundy wines. "Hong Kong ranks sixth among our customer countries, Japan is seventh. Five years ago, they were way down on the list."

Analysts say, however, that winemakers have to adjust their products to new tastes if they have a chance to reach those markets. Producers in France, which is the world's leading wine exporter in terms of value and second only to Italy in volume, are undergoing a slow, painful but thorough reassessment of their products to meet the new demand.

Most French vineyards have traditionally produced red wines, but leading firms are now switching their vines from red grapes to white grapes as world wine consumption increasingly focuses on white. "French Burgundy vineyards are becoming whiter and whiter," said French wine merchant Louis Latour. —Reuters

## EFTA CALLS FOR STRONGER TIES TO E.C.

Ministers from the six-nation European Free Trade Association (EFTA) ended a December 14-15 meeting with a call for closer cooperation with the European Community for an internal European market. But EFTA—which has already lost Britain, Denmark and Portugal to the expanding Community—faces the long-term prospect of Austria and possibly other

states leaving.

EFTA, set up in 1960, now groups Austria, Finland, Iceland, Norway, Sweden and Switzerland, representing a joint market of 30 million consumers. Bilateral trade between EFTA and the E.C. amounted to \$163 billion in 1986, according to EFTA figures.

Austrian Vice-Chancellor Alois Mock, in comments after the ministerial meeting, left open the possibility that Austria might leave EFTA at some future date to join the Community. Asked if Austria was considering applying to join the E.C., Mock told reporters, "The Austrian cabinet has decided that the option of future accession [to the E.C.], with full preservation of Austria's permanent neutrality, is not to be ruled out." He added, "We came here to stress the significance we attach to EFTA, and to participation in as strong as possible economic integration—that is the European Community concept of an internal market." The E.C. concept would include free trade in goods, labor, capital and services by 1992, Mock added.

Under their terms of a 1955 state treaty concluded with its four former occupying powers—Britain, France, the Soviet Union and the United States—Austria is bound to a policy of permanent neutrality.

Swiss Economy Minister Jean-Pascal Delamuraz said in an interview with Swiss radio, "Austria said loudly and clearly here that in the perspective of 1992, the achievement of the internal market, it would remain in total solidarity with EFTA." Austria assured other ministers that it would continue to work towards internal cohesion, as well as intensified EFTA contacts with the Community, he added. "On the other hand, Austria said that the period after 1992 remains open, which we say as well. No EFTA member is blocked by definitive decisions," Delamuraz commented.

Switzerland had more reasons for Austria at present for not joining the E.C., he added. "Switzerland has always had an



extremely rigorous application of its neutrality through the centuries. That is why the option which Austria has opened for a very distant future is one which Switzerland cannot open."

EFTA members said in a communiqué, "Ministers affirmed their determination to pursue efforts to consolidate and strengthen their cooperation with the European Community in parallel with the Community's progress towards completion of its internal market in order to participate in this process and thereby contribute to the creation of a dynamic and homogeneous European Economic Space."

E.C. and EFTA ministers are to meet on February 2 in Brussels to discuss the Community's plan for an internal market by 1992. The next meeting of the EFTA Council at the ministerial level will be held in Finland in mid-June. —Reuters

## PARLIAMENT DELAYS TURKISH TRADE ACCORD

The European Parliament voted on December 15 to delay approval of a trade accord with Turkey in an unprecedented move which could have implications for European Community relations with many non-member states.

The Parliament agreed by 131 votes to 123 to delay approval of the accord in what some members said was a protest against the arrest of two Turkish communist leaders just before last month's elections in Turkey. Communism is banned in Turkey.

The trade accord itself was highly technical, concerning Turkish exports to the E.C. of lemons and table grapes and exports of Turkish goods to new E.C. members Spain and Portugal. The accord is likely to

be agreed early in 1988 and the delay is largely symbolic, members of the Parliament said.

At issue, however, was whether the Parliament was prepared for the first time to block a trade accord for political reasons. The Parliament, which has often been dismissed in the past as a "talking shop," won in July new powers giving it a say in any change in relations with non-member states.

Earlier, E.C. Commissioner Claude Cheysson warned the assembly that it would be serious if it were to use its newfound powers to block the accord, which he stressed was an extremely technical modification of an existing agreement. "Any confusion with other questions would be a dangerous precedent," French member Jacques Mallet said.

However, socialist members led a move to delay approval of the accord to protest against the arrest of the two commu-

nists and maintain pressure on Turkey—which has applied to join the European Community—to continue its move toward democracy. "On balance, we concluded that the [Turkish] election was free and fair," British socialist Richard Balfe said. "But it is not acceptable for people to be put in jail for what is basically a thought crime."

"Perhaps we are more strict with Turkey than with other countries, but it is because that country is knocking at the door of the E.C." one member said. Other members agreed to delay the accord when they realized the assembly was unlikely to muster the required majority to approve the deal. Under its new powers, the Parliament must have a majority of all members, present or absent, to approve accords with non-member states, a power which Cheysson said was without parallel in any other democratic institution. —Reuters

## GOVERNMENT SPENDING

Continued from page 41.

threatening to sharply erode official forecasts of 1-percent expansion in 1988.

But the economist by education and industrialist by profession refuses to indulge in gloomy speculation. "If you ask me whether this means recession, then the answer is no. I think there is only a very thin relationship between the stock market [in the Netherlands] and the attitude of consumers. For companies in general, liquidity is so amply available that looking to the Netherlands itself I do not see much of a problem."

Lubbers concedes that the United States may suffer from a collapse in consumer and business confidence, but he believes that Europe can avoid being pulled down, too. "The more shaky the American economy is, the more Europeans have to organize to sustain economic growth. Not by panic, not by sharp movements, but by confidence-building measures, small moves [downward] in interest rates."

He notes that the dollar's plunge over the past couple of years has hardly lifted U.S. exports and insists that a moderate wage policy in the Netherlands will keep its exports competitive. "We have to try to convince the trade unions to be more modest in their wage demands. If they stick to that policy, I am not pessimistic.

Our exports will do well, and we will survive a low dollar and strengthen our position in international competitiveness."

Aside from the economy he also has a clear—if some say unrealistic—vision for social policy. The Netherlands' bloated welfare state must be shrunk not only because it is no longer affordable, but also because it has broken the personal ties that bind together families, neighborhoods, clubs and churches.

Lubbers has waged virtually a one-man campaign to replace the "caretaker state" with a "caring society" that would substitute informal, voluntary services for those now provided by a bureaucratic and impersonal government. Family, friends and neighbors would help each other as in the past instead of relying on an overstretched state.

Himself a father of three, Lubbers refers to the traditional view of Dutch society called *verzuijing*, or pillarization. In this view, religion—Catholicism, Protestantism or secular humanism—runs up and down through society, determining one's niche. Political party affiliation, school enrollment, hospital care and even television viewing are determined to some degree by religion.

"Our society in the past was organized church by church, confessionally," the Prime Minister explains. "But that fell away, and now we have to replace it." He

believes that individuals must reclaim the responsibility that has been shirked onto the paternalistic welfare state. It is this lack of responsibility that has led to excessive permissiveness and the problems of petty crime, free-wheeling drug use and violent squatters movements. "The problem of permissiveness cannot entirely be solved by the state, by laws," he observes. "We have to work on an alternative to the welfare state by reducing the role of the state and increasing the role of the citizen."

Since Lubbers commands such an unassailable position in politics, he might justifiably be expected to stand for a third term as Prime Minister in the next general election, in 1990. But, as befitting a clever politician, he plays his cards close to the chest.

What he does say is that he sticks by earlier statements that he will not seek re-election unless employment has fallen to 500,000 (from 683,000 at present) by 1990. Few economists inside or outside believe that is a feasible goal, especially in light of the dollar plunge and stock market crash. "I think that it is still useful because it focuses economic policy on reducing unemployment," he explains confidently. "We need a constant reduction of unemployment. I think that is a useful yardstick for those who have to judge politicians in 1990 and I still stick to that point." —LAURA RAUN



## GORBACHEV

Continued from page 33.

Soviet officials and experts in Moscow have also begun to take more seriously the process of European Political Cooperation, which they used to dismiss. They may well be concerned about the possibility—already demonstrated at various international gatherings—that the E.C. will become an institution with coherent political clout, and their concerns are also heightened by the recent revival of the West European Union. There are two major reasons for these fears—a Western Europe that is politically and economically more united and independent of the United States represents more of a challenge to Soviet interests, because Moscow believes that it can maximize its influence in a divided Western Europe. A strong E.C. also is a potentially dangerous example to Eastern Europe, which might well harbor ideas about more autonomy vis-à-vis the Soviet Union. Whatever the outcome of the move toward greater West European political cooperation, the Soviet Union is now prepared to pursue a more active policy toward the Community.

Nevertheless, many traditional elements in Soviet policy toward Western Europe have not changed under Gorbachev, which is entirely to be expected. Some Western experts on the Soviet Union speculate about whether Western Europe or the United States is more important to Moscow. But this is a false dichotomy. The United States was and is the Soviet Union's major military rival, and remains the Kremlin's chief preoccupation in the West, in military and in political terms. Western Europe is, however, an important area both economically—inasmuch as it represents the Soviet Union's main source of hard currency—and politically, because of its proximity to the Soviet Union and its relationship with the United States. It is not an alternative to the United States, but an important complement.

A major Soviet goal toward Western Europe was and remains to weaken the NATO alliance. While Moscow would not welcome a total American withdrawal from Western Europe, because of the unknown dangers that might follow—most notably a militarily revived West Germany with potential access to nuclear weapons—it favors tensions within the alliance, provided that these do not injure Soviet interests. Nevertheless, it has never been adverse to utilizing elements of cooperation within the alliance if they can serve Soviet goals. Usually, this has involved Western Europe modifying

American policy in ways that are more favorable to Moscow. Most recently, however, it involved U.S. pressure on a reluctant Western Europe to support American policy on the INF agreement.

Similarly, the Soviet Union has favored as disunited a Western Europe as possible. It is easier to neutralize any potential threat from a divided alliance. The Soviets have especially feared a strong Franco-German alliance, particularly in the military sphere, because this presents a new challenge to Soviet interests. Recent developments in Franco-German ties and European cooperation have, therefore, not been to Moscow's taste; but the Kremlin is now more realistic in its dealings with these changes than it was previously.

Another traditional Soviet policy has been to appeal to the populations of Western Europe over the Heads of the Government, to increase Soviet influence among the critical intelligentsia as well as the mass of the population. In

Gorbachev and French Prime Minister Jacques Chirac.



## A SIGNIFICANT CHANGE IN SOVIET POLICY HAS BEEN GORBACHEV'S WILLINGNESS TO DEAL WITH THE E.C.

former times, one major vehicle was the Communist Party, particularly in France and in Italy. With these parties in decline—especially in France—and with the growth of the anti-nuclear movement in northern Europe, the Soviets have changed the focus of their attention. They have intensified their links with the peace groups, various ecological parties and, above all, with Social Democratic parties, some of which are now more important than are Communist parties.

This is particularly true in West Germany, where the Communist Party is electorally irrelevant and where the Social Democratic Party (SPD) has moved to the left since the fall of Helmut Schmidt in 1982. Leading SPD figures have had a series of talks with Gorbachev. They speak of a "security partnership" with the Soviet Union, and have drafted party-to-party agreements for "nuclear and chemical weapon-free zones" with the German Democratic Republic and other East European countries. For parts of the SPD, there is no longer a Soviet threat under Gorbachev. Moreover, there is increasing cooperation in foreign policy

matters between the various European Social Democratic parties. If the SPD and like-minded Socialist parties were to come to power, then the nature of Soviet ties with Western Europe might well change.

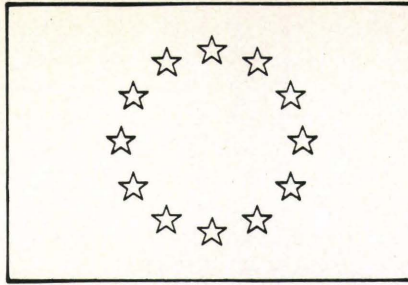
The Soviets have always been interested in economic relations with Western Europe, which today represents their major source of hard currency—and also their major source of technology exports. Although there is debate about this within the Soviet leadership, Gorbachev has spoken in favor of increased economic ties with Western Europe, particularly West Germany, which is the Soviet Union's largest trading partner. The key Soviet

interest is in importing technology that will improve Soviet economic performance. The new Soviet law permitting joint ventures has already produced some agreements in the consumer-goods sector with various European firms. More deals, also in the heavy-industry sector, are under

discussion.

The image of a dynamic new Soviet policy toward Western Europe has some basis in fact, although perhaps not as much as rhetoric on either side would suggest. The pace of a new Soviet détente with Western Europe will depend on developments within Europe, as well as on U.S.-Soviet ties. But Eastern Europe will also play an important role in determining the degree to which there will be a rapprochement between the two halves of Europe under Gorbachev. He is still formulating his policy toward the various rooms in "our common house" and seems uncertain as to how many connecting doors there should be between them. A telling indicator of how far he still has to go is the current establishment of a new institute within the Academy of Sciences in the Soviet Union—the Institute of Europe. When asked how Europe will be defined—in other words, will this new institute study both Eastern and Western Europe—the Soviet reply was ambiguous: "We are still figuring that one out." €





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**F**lora Lewis is one of the premier foreign correspondents of U.S. journalism, who has seen much of the world's history as it happened over the past 30 years and who remains a familiar and indefatigable presence at diplomatic conferences and summits.

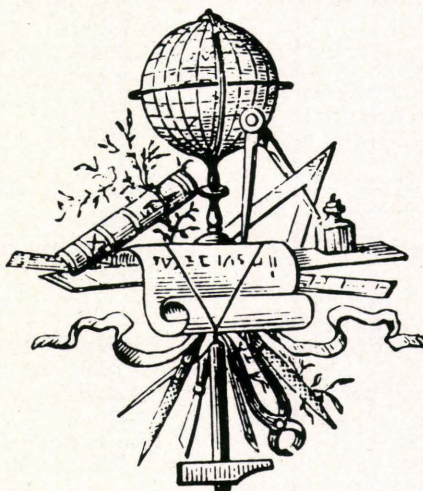
Now the foreign affairs columnist for *The New York Times*, she has placed her vast experience and demonstrated reporting and analytic skills into an ambitious volume that puts her into the footsteps of such legendary chroniclers as John Gunther. Her book measures up well to the challenge, and there is much to absorb here both for experienced European hands and for students for whom this work should be essential. The book is readable and accessible, which cannot always be said of her columns.

With bits of history, geography and social and political analysis of more than 20 countries in Western and Eastern Europe, Lewis provides a synthesis of what Europe now represents and what it is like to be part of it. Her work is a reminder of how Western Europe has struggled back remarkably from the brink of destruction and dictatorship to democracy as the only acceptable condition.

To develop her themes of Europe past its imperial apogee and still recovering from its nearly fatal years, the author employs an interesting and basically suc-

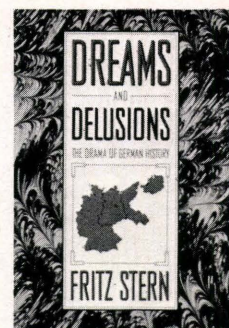
cessful device. Each country in Western Europe serves as a metaphor, for instance Britain for the end of the empire, Italy for the fight against terrorism, the Federal Republic of Germany for postwar reindustrialization and France for the role of intellectuals.

The theme of unification in Western Europe bobs in and out, but takes a distinctly second place to the assertion that the nation state remains the essential element. France's Charles de Gaulle and



the pull of historical forces guaranteed that outcome against those postwar leaders who hoped to bury old antagonisms in a federal Europe with supranational institutions. Lewis says the second salient fact of Europe is its East-West division, as unnatural as it is enduring.

Lewis regards the Common Market as one of the forces not only for modernization, but also for creating social and political networks even for those countries not joining. She does have some interesting what-might-have-been reflections about the building of Community cohesion. The failure of this process to develop more deeply helped accentuate differences among the Low Countries in recent years, she says. And she believes that the collapse of the British membership bid in 1963, which brought down the corollary



Irish Republic effort, diverted Ireland from economic development and helped revive its religious and political disputes. She dismisses the Community's regional development program as "pious but ineffective."

Two articles of Lewis' book also appear in a striking collection of essays and lectures by the Columbia University historian Fritz Stern. Both praise the postwar leaders of the Federal Republic and both agree that the division of Germany is in Stern's words "unnatural and unalterable."

Stern became known to general readers through his monumental work, **Gold and Iron**, about Bismarck and his Jewish banker, Bleichroder. It changed fundamentally historical legacy of Bismarck and offered new insights about anti-Semitism and Germany's ambivalence toward capitalism. This book looks both back and forward with essays on the development of National Socialism and prospects for modern Germany. Several of the lectures here originally were delivered in Germany.

Stern is the second generation of a remarkable group of German-American historians, mostly Jewish émigrés who fled Hitler in the 1930s. From the United States, they led the revival of German and European history after the war. Their intellectual influence, reflected in this collection, is another reminder of the importance of history beyond an academic discipline into the conduct of current affairs.

For all his belief in the development of West German political institutions, its commitment to European and Atlantic alliances and the rationality of its leadership, Stern does voice some concerns about the future. He is especially worried about the reappearance of German brooding about its identity and destiny and its feeling of not being totally of the West. In the current easing of tensions between the two Germanies, there are both risks and rewards, he notes. €

Michael D. Mosettig is senior producer for foreign affairs and defense issues at the *MacNeil/Lehrer NewsHour*.



## RECENT BOOKS

Europe periodically lists books dealing with Community and Atlantic topics. Prices are also given when known. This presentation does not indicate approval or recommendations of these publications, which can be purchased or ordered from most booksellers.

**Comparative Management: A Regional View.** Edited by Raghu Nath. Ballinger Publishing Co., Cambridge, MA, 1988. 321 pp. \$32.00.

Experts offer region-by-region comparisons of management systems worldwide, applying their comparative frameworks to the management systems of the United States, Europe, Africa, Latin America, Japan, China and other Asian countries. Cultural, sociopolitical, legal, economic, informational, and technological factors distinguish one system from the other.

**Protectionism and the European Community.** Edited by E.L.M. Volker. Kluwer Law and Taxation Publishers, Norwell, MA, 1987. 236 pp. \$47.00.

Discussed is the import relief measures taken by the E.C. and the member states, and the legal remedies available to private parties. The different chapters give a view of the Common Commercial Policy and instruments of that policy, legal analysis affecting Japanese imports, textile policy and trade regulation since the Tokyo Round.

**Soviet Submarine Operations in Swedish Waters: 1980-1986.** By Milton Leitenberg. Praeger Publishers, New York, 1987. 199 pp. \$9.95 (paper) and \$32.95 (hard cover).

This study deals with the issue of Sweden's defense preparedness, threat per-

ception, and political responses in the face of the first Soviet military-political initiatives against a Western state since the 1960 Berlin crises.

**The ABM Treaty and Western Security.** By William J. Durch. Ballinger Publishing Co., Cambridge, MA, 1987. 184 pp. \$19.95.

This book illustrates how the debate over SDI and the ABM treaty is not about hardware feasibility but about the future nuclear strategies of East and West, about how much cooperation they can risk, and how much competition they can stand. Examined are the major threats to the ABM treaty, the role of defense constraints in offensive arms reduction, the effects on the arms race should ABM limits be eased or removed, and the conflicting reports about Soviet arms control compliance practices.

**Barriers to European Growth: A Transatlantic View.** Edited by Robert Z. Lawrence and Charles L. Schultze. Brookings Books, Washington, 1987. 619 pp. \$39.95.

American economists, following research on the causes, consequences and possible policy responses to Europe's slow growth and high unemployment, and after being criticized by their European counterparts, published their findings in this text. The central conclusion found by the two editors is that Europe

needs a dual strategy: a moderate dose of expansionary economic policy accompanied by structural reforms to reduce the rigidities, bottlenecks, and immobility that characterize European markets for labor and goods.

**Economic Appraisal of Health Technology in the European Community.** Edited by M.F. Drummond. Oxford University Press, New York, 1987. 272 pp. \$49.95.

The purpose of the E.C. Workshop on the Methodology of Economic Appraisal of Health Technology was to assess the state of the art in member states and to explore the practical integration of economic appraisal with biomedical engineering assessments, clinical and epidemiological research, and planning and budgetary management for health technologies. This volume contains the proceedings of the workshop, which was held in Birmingham, U.K., 23-25 September, 1985.

## PUBLISHED FOR THE COMMISSION

**Physical Properties of Foods - 2.** EUR 10952. Edited by Ronald Jowitt, et al. Elsevier Science Publishing Co., Inc., New York, 1987. 564 pp. \$137.00.

The authors of this text find it necessary to maintain up-to-date interface with the basic scientific progress of food science technology and engineering as one would with hi-tech. Discussed is the diffusion of

electrical, optical and mechanical properties of foods.

**Accelerated Processing of Meat.** EUR 11102. Edited by A. Romita, et al. Elsevier Science Publishing Co., Inc., New York, 1987. 291 pp. \$57.75.

This text was put together following a workshop to consider accelerated processing of meat in the slaughterhouse, which was held near Rome 29-31 October, 1985. The workshop was hosted by the new Standing Committee for Agricultural Research (SCAR) Agro Food Program for European Meat Scientists, who were concerned with the immediate post-slaughter handling of meat of all species, but particularly cattle and pigs, to give consumer satisfaction to promote sales.

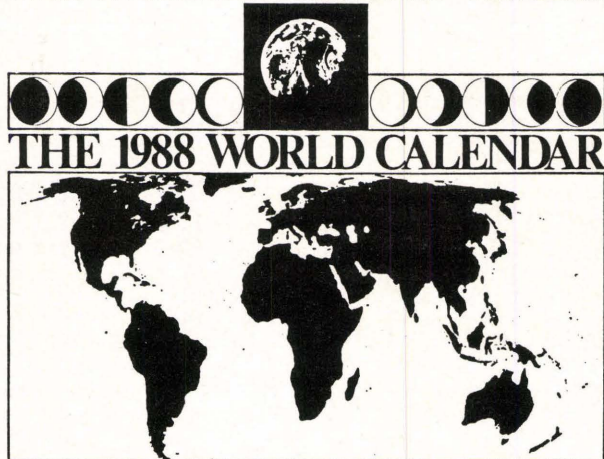
**Service Economics in Europe: Opportunities for Growth.** EUR 8289. By Wolfgang Ochel and Manfred Wegner. Westview Press, Boulder, CO, 1987. 160 pp. \$37.50.

This study includes a look at the major empirical trends, definitions, and roles of services in Europe. Also highlighted are consumer services, growing demand, importance and supply of services.

**Safety Assessment of NMR Clinical Equipment.** EUR 10736. Edited by K.H. Schmidt. George Thieme Publishers, New York, 1987. 92 pp. \$77.00.

Standard safety practices are taken for granted in many areas of health care, however, there seems to be a reluctance to apply the same criteria to the M.R. facilities. Mr. Schmidt and his colleagues feel that it is time that avoidable accidents no longer occur.

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☐ **A Selective Study Guide to the European Community.** *Office of Press and Public Affairs, Commission, Washington, D.C., 1987, 24 pages.* Bibliography of selective literature on European integration and related subjects. Available in bulk quantities for classroom use. **Free**

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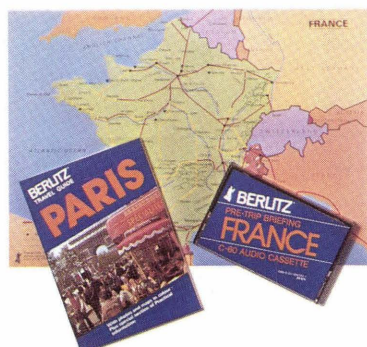
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